

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

PART 1

CHAPTER 1

**206.1 Income tax act of 1967; short title.**

Sec. 1. This act is for the purpose of meeting deficiencies in state funds and shall be known and may be cited as the "income tax act of 1967".

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**206.2 Income tax act; rules of construction; internal revenue code, applicability.**

Sec. 2. (1) For the purposes of this part, the words, terms and phrases set forth in this chapter and their derivations have the meaning given therein. When not inconsistent with the context, words used in the present tense include the future, words in the plural number include the singular number, and in the singular number include the plural. "Shall" is always mandatory and "may" is always discretionary.

(2) Any term used in this part shall have the same meaning as when used in comparable context in the laws of the United States relating to federal income taxes unless a different meaning is clearly required. Any reference in this part to the internal revenue code shall include other provisions of the laws of the United States relating to federal income taxes.

(3) It is the intention of this part that the income subject to tax be the same as taxable income as defined and applicable to the subject taxpayer in the internal revenue code, except as otherwise provided in this act.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**206.4 "Business income" defined.**

Sec. 4. "Business income" means all income arising from transactions, activities, and sources in the regular course of the taxpayer's trade or business and includes the following:

(a) All income from tangible and intangible property if the acquisition, rental, management, or disposition of the property constitutes integral parts of the taxpayer's regular trade or business operations.

(b) Gains or losses from stock and securities of any foreign or domestic corporation and dividend and interest income.

(c) Income derived from isolated sales, leases, assignment, licenses, divisions, or other infrequently occurring dispositions, transfers, or transactions involving property if the property is or was used in the taxpayer's trade or business operation.

(d) Income derived from the sale of a business.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2003, Act 52, Imd. Eff. July 14, 2003;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**206.6 "Commercial domicile," "compensation," and "corporation" defined.**

Sec. 6. (1) "Commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.

(2) "Compensation" means wages as defined in section 3401 and other payments as provided in section 3402 of the internal revenue code.

(3) "Corporation" means, in addition to an incorporated entity, an association, trust or any unincorporated organization which is defined as a corporation in the internal revenue code.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1971, Act 16, Imd. Eff. Apr. 28, 1971;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**206.8 "Department," "employee," and "employer" defined.**

Sec. 8. (1) "Department" means the revenue division of the department of treasury.

(2) "Employee" means an employee as defined in section 3401(c) of the internal revenue code. Any person from whom an employer is required to withhold for federal income tax purposes shall prima facie be deemed an employee.

(3) "Employer" means an employer as defined in section 3401(d) of the internal revenue code. Any person required to withhold for federal income tax purposes shall prima facie be deemed an employer.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

**206.10 "Fiduciary" defined.**

Sec. 10. "Fiduciary" means a guardian, trustee, executor, administrator, executrix, administratrix, receiver,

conservator, or any person acting in any fiduciary capacity, whether or not a resident of this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1971, Act 76, Imd. Eff. July 30, 1971;—Am. 1972, Act 181, Imd. Eff. Aug. 1, 1972;—Am. 1974, Act 33, Imd. Eff. Mar. 8, 1974;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

**Compiler's note:** Section 4 of Act 76 of 1971 provides:

**“Expiration of act; conditions.**

“Section 4. The provisions of this amendatory act shall expire August 1, 1972 unless prior thereto the legislature has submitted to the electors constitutional amendments which shall (a) grant property tax relief by limiting of levying of more than 10 mills on property for school operational purposes, (b) permit the legislature to enact taxes on income graduated either as to rate or base or both, or (c) a combination of (a) and (b) as one amendment and (a) as a separate amendment and which said amendments shall be voted upon at a special election to be held on November 2, 1971 or at the general election to be held November 1972.”

The legislature did not submit to the electors at a November 2, 1971 special election or at the November, 1972 general election proposed constitutional amendment(s) to effect the purposes enumerated in Section 4 of Act 76 of 1971.

## **206.12 Definitions.**

Sec. 12. (1) “Flow-through entity” means an S corporation, partnership, limited partnership, limited liability partnership, or limited liability company. Flow-through entity does not include a publicly traded partnership as that term is defined in section 7704 of the internal revenue code that has equity securities registered with the securities and exchange commission under section 12 of title I of the securities exchange act of 1934, chapter 404, 48 Stat. 881, 15 U.S.C. 78l.

(2) “Gross income” means gross income as defined in the internal revenue code.

(3) “Internal revenue code” means the United States internal revenue code of 1986 in effect on January 1, 1996 or at the option of the taxpayer, in effect for the tax year.

(4) “Member of a flow-through entity” means a shareholder of an S corporation; a partner in a partnership or limited partnership; or a member of a limited liability company.

(5) “Nonresident member” means any of the following that is a member of a flow-through entity:

(a) An individual who is not domiciled in this state.

(b) A nonresident estate or trust.

(c) A flow-through entity with a nonresident member.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1970, Act 140, Imd. Eff. Aug. 1, 1970;—Am. 1971, Act 16, Imd. Eff. Apr. 28, 1971;—Am. 1976, Act 434, Imd. Eff. Jan. 11, 1977;—Am. 1980, Act 250, Imd. Eff. July 28, 1980;—Am. 1982, Act 387, Imd. Eff. Dec. 28, 1982;—Am. 1984, Act 283, Imd. Eff. Dec. 20, 1984;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1996, Act 484, Eff. Jan. 1, 1997;—Am. 2003, Act 45, Eff. Oct. 1, 2003.

## **206.14 Nonbusiness income, nonresident and nonresident estate or trust; definitions.**

Sec. 14. (1) “Nonbusiness income” means all income other than business income.

(2) “Nonresident” means any individual who is not a resident.

(3) “Nonresident estate or trust” means any estate or trust not included in the definition of a resident estate or trust.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

## **206.16 Person; definition.**

Sec. 16. “Person” includes any individual, firm, association, corporation, receiver, estate, trust or any other group or combination acting as a unit, and the plural as well as the singular number.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

## **206.18 Resident and domicile; definitions.**

Sec. 18. (1) “Resident” means:

(a) An individual domiciled in the state. “Domicile” means a place where a person has his true, fixed and permanent home and principal establishment to which, whenever absent therefrom he intends to return, and domicile continues until another permanent establishment is established. If an individual during the taxable year being a resident becomes a nonresident or vice versa, taxable income shall be determined separately for income in each status. If an individual lives in this state at least 183 days during the tax year or more than 1/2 the days during a taxable year of less than 12 months he shall be deemed a resident individual domiciled in this state.

(b) The estate of a decedent who at his death was domiciled in this state.

(c) Any trust created by will of a decedent who at his death was domiciled in this state and any trust created by, or consisting of property of, a person domiciled in this state, at the time the trust becomes irrevocable.

(2) For the purpose of the definition of “resident”, a taxable year shall be deemed to be terminated at the date of death.

(3) The term “resident” when referring to a corporation means a corporation organized under the laws of this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **206.20 Sales and state; definitions.**

Sec. 20. (1) “Sales” means all gross receipts of the taxpayer not allocated under sections 110 to 114.

(2) “State” means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country, or political subdivision, thereof.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

#### **206.22 “Tax” and “taxable value” defined.**

Sec. 22. (1) “Tax” includes interest and penalties and further includes the tax required to be withheld on income under part 3, unless the intention to give it a more limited meaning is disclosed by the context.

(2) “Taxable value” means taxable value as calculated under section 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1996, Act 484, Imd. Eff. Dec. 27, 1996;—Am. 2003, Act 51, Eff. Oct. 1, 2003;—Am. 2016, Act 158, Eff. July 1, 2016.

#### **206.24 “Tax year” or “taxable year” defined.**

Sec. 24. “Tax year” or “taxable year” means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which taxable income is computed under this part. In the case of a return made for a fractional part of a year, the term shall mean the period for which such return is made. Except for the first return required by this part, any taxpayer’s tax year shall be for the same period as is covered by his federal income tax return.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.26 “Taxpayer” defined.**

Sec. 26. “Taxpayer” means any person subject to the taxes imposed by this part or subject to the withholding requirements under part 3.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2003, Act 50, Eff. Oct. 1, 2003;—Am. 2011, Act 38, Eff. Jan. 1, 2012;—Am. 2016, Act 158, Eff. July 1, 2016.

#### **206.28 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler’s note:** The repealed section pertained to definition of “taxable income” or “net income”.

#### **206.30 “Taxable income” defined; personal exemption; single additional exemption; deduction not considered allowable federal exemption for purposes of subsection (2); allowable exemption or deduction for nonresident or part-year resident; subtraction of prizes under MCL 432.1 to 432.47 from adjusted gross income prohibited; adjusted personal exemption; adjustment on and after January 1, 2013; “retirement or pension benefits” defined; limitations and restrictions; “oil and gas” defined.**

Sec. 30. (1) “Taxable income” means, for a person other than a corporation, estate, or trust, adjusted gross income as defined in the internal revenue code subject to the following adjustments under this section:

(a) Add gross interest income and dividends derived from obligations or securities of states other than Michigan, in the same amount that has been excluded from adjusted gross income less related expenses not deducted in computing adjusted gross income because of section 265(a)(1) of the internal revenue code.

(b) Add taxes on or measured by income to the extent the taxes have been deducted in arriving at adjusted gross income.

(c) Add losses on the sale or exchange of obligations of the United States government, the income of which this state is prohibited from subjecting to a net income tax, to the extent that the loss has been deducted in arriving at adjusted gross income.

(d) Deduct, to the extent included in adjusted gross income, income derived from obligations, or the sale or exchange of obligations, of the United States government that this state is prohibited by law from subjecting to a net income tax, reduced by any interest on indebtedness incurred in carrying the obligations and by any expenses incurred in the production of that income to the extent that the expenses, including amortizable bond premiums, were deducted in arriving at adjusted gross income.

(e) Deduct, to the extent included in adjusted gross income, the following:

(i) Compensation, including retirement benefits, received for services in the armed forces of the United States.

(ii) Retirement or pension benefits under the railroad retirement act of 1974, 45 USC 231 to 231v.

(iii) Beginning January 1, 2012, retirement or pension benefits received for services in the Michigan National Guard.

(f) Deduct the following to the extent included in adjusted gross income subject to the limitations and restrictions set forth in subsection (9):

(i) Retirement or pension benefits received from a federal public retirement system or from a public retirement system of or created by this state or a political subdivision of this state.

(ii) Retirement or pension benefits received from a public retirement system of or created by another state or any of its political subdivisions if the income tax laws of the other state permit a similar deduction or exemption or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any of the political subdivisions of this state.

(iii) Social security benefits as defined in section 86 of the internal revenue code.

(iv) Beginning on and after January 1, 2007, retirement or pension benefits not deductible under subparagraph (i) or subdivision (e) from any other retirement or pension system or benefits from a retirement annuity policy in which payments are made for life to a senior citizen, to a maximum of \$42,240.00 for a single return and \$84,480.00 for a joint return. The maximum amounts allowed under this subparagraph shall be reduced by the amount of the deduction for retirement or pension benefits claimed under subparagraph (i) or subdivision (e) and by the amount of a deduction claimed under subdivision (p). For the 2008 tax year and each tax year after 2008, the maximum amounts allowed under this subparagraph shall be adjusted by the percentage increase in the United States consumer price index for the immediately preceding calendar year. The department shall annualize the amounts provided in this subparagraph as necessary. As used in this subparagraph, "senior citizen" means that term as defined in section 514.

(v) The amount determined to be the section 22 amount eligible for the elderly and the permanently and totally disabled credit provided in section 22 of the internal revenue code.

(g) Adjustments resulting from the application of section 271.

(h) Adjustments with respect to estate and trust income as provided in section 36.

(i) Adjustments resulting from the allocation and apportionment provisions of chapter 3.

(j) Deduct the following payments made by the taxpayer in the tax year:

(i) For the 2010 tax year and each tax year after 2010, the amount of a charitable contribution made to the advance tuition payment fund created under section 9 of the Michigan education trust act, 1986 PA 316, MCL 390.1429.

(ii) The amount of payment made under an advance tuition payment contract as provided in the Michigan education trust act, 1986 PA 316, MCL 390.1421 to 390.1442.

(iii) The amount of payment made under a contract with a private sector investment manager that meets all of the following criteria:

(A) The contract is certified and approved by the board of directors of the Michigan education trust to provide equivalent benefits and rights to purchasers and beneficiaries as an advance tuition payment contract as described in subparagraph (ii).

(B) The contract applies only for a state institution of higher education as defined in the Michigan education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior college in Michigan.

(C) The contract provides for enrollment by the contract's qualified beneficiary in not less than 4 years after the date on which the contract is entered into.

(D) The contract is entered into after either of the following:

(I) The purchaser has had his or her offer to enter into an advance tuition payment contract rejected by the board of directors of the Michigan education trust, if the board determines that the trust cannot accept an unlimited number of enrollees upon an actuarially sound basis.

(II) The board of directors of the Michigan education trust determines that the trust can accept an unlimited number of enrollees upon an actuarially sound basis.

(k) If an advance tuition payment contract under the Michigan education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, or another contract for which the payment was deductible under subdivision (j) is terminated and the qualified beneficiary under that contract does not attend a university, college, junior or community college, or other institution of higher education, add the amount of a refund received by the taxpayer as a result of that termination or the amount of the deduction taken under subdivision (j) for payment made under that contract, whichever is less.

(l) Deduct from the taxable income of a purchaser the amount included as income to the purchaser under the internal revenue code after the advance tuition payment contract entered into under the Michigan

education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, is terminated because the qualified beneficiary attends an institution of postsecondary education other than either a state institution of higher education or an institution of postsecondary education located outside this state with which a state institution of higher education has reciprocity.

(m) Add, to the extent deducted in determining adjusted gross income, the net operating loss deduction under section 172 of the internal revenue code.

(n) Deduct a net operating loss deduction for the taxable year as determined under section 172 of the internal revenue code subject to the modifications under section 172(b)(2) of the internal revenue code and subject to the allocation and apportionment provisions of chapter 3 of this part for the taxable year in which the loss was incurred.

(o) Deduct, to the extent included in adjusted gross income, benefits from a discriminatory self-insurance medical expense reimbursement plan.

(p) Beginning on and after January 1, 2007, subject to any limitation provided in this subdivision, a taxpayer who is a senior citizen may deduct to the extent included in adjusted gross income, interest, dividends, and capital gains received in the tax year not to exceed \$9,420.00 for a single return and \$18,840.00 for a joint return. The maximum amounts allowed under this subdivision shall be reduced by the amount of a deduction claimed for retirement benefits under subdivision (e) or a deduction claimed under subdivision (f)(i), (ii), (iv), or (v). For the 2008 tax year and each tax year after 2008, the maximum amounts allowed under this subdivision shall be adjusted by the percentage increase in the United States consumer price index for the immediately preceding calendar year. The department shall annualize the amounts provided in this subdivision as necessary. Beginning January 1, 2012, the deduction under this subsection is not available to a senior citizen born after 1945. As used in this subdivision, "senior citizen" means that term as defined in section 514.

(q) Deduct, to the extent included in adjusted gross income, all of the following:

(i) The amount of a refund received in the tax year based on taxes paid under this part.

(ii) The amount of a refund received in the tax year based on taxes paid under the city income tax act, 1964 PA 284, MCL 141.501 to 141.787.

(iii) The amount of a credit received in the tax year based on a claim filed under sections 520 and 522 to the extent that the taxes used to calculate the credit were not used to reduce adjusted gross income for a prior year.

(r) Add the amount paid by the state on behalf of the taxpayer in the tax year to repay the outstanding principal on a loan taken on which the taxpayer defaulted that was to fund an advance tuition payment contract entered into under the Michigan education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, if the cost of the advance tuition payment contract was deducted under subdivision (j) and was financed with a Michigan education trust secured loan.

(s) Deduct, to the extent included in adjusted gross income, any amount, and any interest earned on that amount, received in the tax year by a taxpayer who is a Holocaust victim as a result of a settlement of claims against any entity or individual for any recovered asset pursuant to the German act regulating unresolved property claims, also known as Gesetz zur Regelung offener Vermögensfragen, as a result of the settlement of the action entitled In re: Holocaust victim assets litigation, CV-96-4849, CV-96-5161, and CV-97-0461 (E.D. NY), or as a result of any similar action if the income and interest are not commingled in any way with and are kept separate from all other funds and assets of the taxpayer. As used in this subdivision:

(i) "Holocaust victim" means a person, or the heir or beneficiary of that person, who was persecuted by Nazi Germany or any Axis regime during any period from 1933 to 1945.

(ii) "Recovered asset" means any asset of any type and any interest earned on that asset including, but not limited to, bank deposits, insurance proceeds, or artwork owned by a Holocaust victim during the period from 1920 to 1945, withheld from that Holocaust victim from and after 1945, and not recovered, returned, or otherwise compensated to the Holocaust victim until after 1993.

(t) Deduct, to the extent not deducted in determining adjusted gross income, both of the following:

(i) Contributions made by the taxpayer in the tax year less qualified withdrawals made in the tax year from education savings accounts, calculated on a per education savings account basis, pursuant to the Michigan education savings program act, 2000 PA 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of \$5,000.00 for a single return or \$10,000.00 for a joint return per tax year. The amount calculated under this subparagraph for each education savings account shall not be less than zero.

(ii) The amount under section 30f.

(u) Add, to the extent not included in adjusted gross income, the amount of money withdrawn by the taxpayer in the tax year from education savings accounts, not to exceed the total amount deducted under subdivision (t) in the tax year and all previous tax years, if the withdrawal was not a qualified withdrawal as



provided in the Michigan education savings program act, 2000 PA 161, MCL 390.1471 to 390.1486. This subdivision does not apply to withdrawals that are less than the sum of all contributions made to an education savings account in all previous tax years for which no deduction was claimed under subdivision (t), less any contributions for which no deduction was claimed under subdivision (t) that were withdrawn in all previous tax years.

(v) A taxpayer who is a resident tribal member may deduct, to the extent included in adjusted gross income, all nonbusiness income earned or received in the tax year and during the period in which an agreement entered into between the taxpayer's tribe and this state pursuant to section 30c of 1941 PA 122, MCL 205.30c, is in full force and effect. As used in this subdivision:

(i) "Business income" means business income as defined in section 4 and apportioned under chapter 3.

(ii) "Nonbusiness income" means nonbusiness income as defined in section 14 and, to the extent not included in business income, all of the following:

(A) All income derived from wages whether the wages are earned within the agreement area or outside of the agreement area.

(B) All interest and passive dividends.

(C) All rents and royalties derived from real property located within the agreement area.

(D) All rents and royalties derived from tangible personal property, to the extent the personal property is utilized within the agreement area.

(E) Capital gains from the sale or exchange of real property located within the agreement area.

(F) Capital gains from the sale or exchange of tangible personal property located within the agreement area at the time of sale.

(G) Capital gains from the sale or exchange of intangible personal property.

(H) All pension income and benefits including, but not limited to, distributions from a 401(k) plan, individual retirement accounts under section 408 of the internal revenue code, or a defined contribution plan, or payments from a defined benefit plan.

(I) All per capita payments by the tribe to resident tribal members, without regard to the source of payment.

(J) All gaming winnings.

(iii) "Resident tribal member" means an individual who meets all of the following criteria:

(A) Is an enrolled member of a federally recognized tribe.

(B) The individual's tribe has an agreement with this state pursuant to section 30c of 1941 PA 122, MCL 205.30c, that is in full force and effect.

(C) The individual's principal place of residence is located within the agreement area as designated in the agreement under sub-subparagraph (B).

(w) For tax years beginning after December 31, 2011, eliminate all of the following:

(i) Income from producing oil and gas to the extent included in adjusted gross income.

(ii) Expenses of producing oil and gas to the extent deducted in arriving at adjusted gross income.

(x) For tax years that begin after December 31, 2015, deduct, to the extent not deducted in determining adjusted gross income, both of the following:

(i) Contributions made by the taxpayer in the tax year less qualified withdrawals made in the tax year from an ABLE savings account, pursuant to the Michigan ABLE savings program act, not to exceed a total deduction of \$5,000.00 for a single return or \$10,000.00 for a joint return per tax year. The amount calculated under this subparagraph for an ABLE savings account shall not be less than zero.

(ii) For tax years that begin after December 31, 2015, deduct, to the extent not deducted in determining adjusted gross income, interest earned in the tax year on the contributions to the taxpayer's ABLE savings account if the contributions were deductible under subparagraph (i).

(iii) For tax years that begin after December 31, 2015, deduct, to the extent included in adjusted gross income, distributions that are qualified withdrawals from an ABLE savings account to the designated beneficiary of that ABLE savings account.

(y) Add, to the extent not included in adjusted gross income, the amount of money withdrawn by the taxpayer in the tax year from an ABLE savings account, not to exceed the total amount deducted under subdivision (x) in the tax year and all previous tax years, if the withdrawal was not a qualified withdrawal as provided in the Michigan ABLE savings program act. This subdivision does not apply to withdrawals that are less than the sum of all contributions made to an ABLE savings account in all previous tax years for which no deduction was claimed under subdivision (x), less any contributions for which no deduction was claimed under subdivision (x) that were withdrawn in all previous tax years.

(2) Except as otherwise provided in subsection (7), a personal exemption of \$3,700.00 multiplied by the number of personal or dependency exemptions allowable on the taxpayer's federal income tax return pursuant

to the internal revenue code shall be subtracted in the calculation that determines taxable income.

(3) Except as otherwise provided in subsection (7), a single additional exemption determined as follows shall be subtracted in the calculation that determines taxable income in each of the following circumstances:

(a) \$1,800.00 for each taxpayer and every dependent of the taxpayer who is a deaf person as defined in section 2 of the deaf persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic, a quadriplegic, or a hemiplegic; a person who is blind as defined in section 504; or a person who is totally and permanently disabled as defined in section 522. When a dependent of a taxpayer files an annual return under this part, the taxpayer or dependent of the taxpayer, but not both, may claim the additional exemption allowed under this subdivision. As used in this subdivision, "dependent" means that term as defined in section 30e.

(b) For tax years beginning after 2007, \$250.00 for each taxpayer and every dependent of the taxpayer who is a qualified disabled veteran. When a dependent of a taxpayer files an annual return under this part, the taxpayer or dependent of the taxpayer, but not both, may claim the additional exemption allowed under this subdivision. As used in this subdivision:

(i) "Qualified disabled veteran" means a veteran with a service-connected disability.

(ii) "Service-connected disability" means a disability incurred or aggravated in the line of duty in the active military, naval, or air service as described in 38 USC 101(16).

(iii) "Veteran" means a person who served in the active military, naval, marine, coast guard, or air service and who was discharged or released from his or her service with an honorable or general discharge.

(4) An individual with respect to whom a deduction under section 151 of the internal revenue code is allowable to another federal taxpayer during the tax year is not considered to have an allowable federal exemption for purposes of subsection (2), but may subtract \$1,500.00 in the calculation that determines taxable income for a tax year.

(5) A nonresident or a part-year resident is allowed that proportion of an exemption or deduction allowed under subsection (2), (3), or (4) that the taxpayer's portion of adjusted gross income from Michigan sources bears to the taxpayer's total adjusted gross income.

(6) In calculating taxable income, a taxpayer shall not subtract from adjusted gross income the amount of prizes won by the taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act, 1972 PA 239, MCL 432.1 to 432.47.

(7) For each tax year beginning on and after January 1, 2013, the personal exemption allowed under subsection (2) shall be adjusted by multiplying the exemption for the tax year beginning in 2012 by a fraction, the numerator of which is the United States consumer price index for the state fiscal year ending in the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the United States consumer price index for the 2010-2011 state fiscal year. The resultant product shall be rounded to the nearest \$100.00 increment. As used in this section, "United States consumer price index" means the United States consumer price index for all urban consumers as defined and reported by the United States Department of Labor, Bureau of Labor Statistics. For each tax year, the exemptions allowed under subsection (3) shall be adjusted by multiplying the exemption amount under subsection (3) for the tax year by a fraction, the numerator of which is the United States consumer price index for the state fiscal year ending the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the United States consumer price index for the 1998-1999 state fiscal year. The resultant product shall be rounded to the nearest \$100.00 increment.

(8) As used in subsection (1)(f), "retirement or pension benefits" means distributions from all of the following:

(a) Except as provided in subdivision (d), qualified pension trusts and annuity plans that qualify under section 401(a) of the internal revenue code, including all of the following:

(i) Plans for self-employed persons, commonly known as Keogh or HR10 plans.

(ii) Individual retirement accounts that qualify under section 408 of the internal revenue code if the distributions are not made until the participant has reached 59-1/2 years of age, except in the case of death, disability, or distributions described by section 72(t)(2)(A)(iv) of the internal revenue code.

(iii) Employee annuities or tax-sheltered annuities purchased under section 403(b) of the internal revenue code by organizations exempt under section 501(c)(3) of the internal revenue code, or by public school systems.

(iv) Distributions from a 401(k) plan attributable to employee contributions mandated by the plan or attributable to employer contributions.

(b) The following retirement and pension plans not qualified under the internal revenue code:

(i) Plans of the United States, state governments other than this state, and political subdivisions, agencies, or instrumentalities of this state.

(ii) Plans maintained by a church or a convention or association of churches.

(iii) All other unqualified pension plans that prescribe eligibility for retirement and predetermine contributions and benefits if the distributions are made from a pension trust.

(c) Retirement or pension benefits received by a surviving spouse if those benefits qualified for a deduction prior to the decedent's death. Benefits received by a surviving child are not deductible.

(d) Retirement and pension benefits do not include:

(i) Amounts received from a plan that allows the employee to set the amount of compensation to be deferred and does not prescribe retirement age or years of service. These plans include, but are not limited to, all of the following:

(A) Deferred compensation plans under section 457 of the internal revenue code.

(B) Distributions from plans under section 401(k) of the internal revenue code other than plans described in subdivision (a)(iv).

(C) Distributions from plans under section 403(b) of the internal revenue code other than plans described in subdivision (a)(iii).

(ii) Premature distributions paid on separation, withdrawal, or discontinuance of a plan prior to the earliest date the recipient could have retired under the provisions of the plan.

(iii) Payments received as an incentive to retire early unless the distributions are from a pension trust.

(9) In determining taxable income under this section, the following limitations and restrictions apply:

(a) For a person born before 1946, this subsection provides no additional restrictions or limitations under subsection (1)(f).

(b) Except as otherwise provided in subdivision (c), for a person born in 1946 through 1952, the sum of the deductions under subsection (1)(f)(i), (ii), and (iv) is limited to \$20,000.00 for a single return and \$40,000.00 for a joint return. After that person reaches the age of 67, the deductions under subsection (1)(f)(i), (ii), and (iv) do not apply and that person is eligible for a deduction of \$20,000.00 for a single return and \$40,000.00 for a joint return, which deduction is available against all types of income and is not restricted to income from retirement or pension benefits. A person who takes the deduction under subsection (1)(e) is not eligible for the unrestricted deduction of \$20,000.00 for a single return and \$40,000.00 for a joint return under this subdivision.

(c) Beginning January 1, 2013, for a person born in 1946 through 1952 who receives retirement or pension benefits from employment with a governmental agency that was not covered by the federal social security act, chapter 531, 49 Stat 620, the sum of the deductions under subsection (1)(f)(i), (ii), and (iv) is limited to \$35,000.00 for a single return and, except as otherwise provided under this subdivision, \$55,000.00 for a joint return. If both the husband and wife filing a joint return receive retirement or pension benefits from employment with a governmental agency that was not covered by the federal social security act, chapter 531, 49 Stat 620, the sum of the deductions under subsection (1)(f)(i), (ii), and (iv) is limited to \$70,000.00 for a joint return. After that person reaches the age of 67, the deductions under subsection (1)(f)(i), (ii), and (iv) do not apply and that person is eligible for a deduction of \$35,000.00 for a single return and \$55,000.00 for a joint return, or \$70,000.00 for a joint return if applicable, which deduction is available against all types of income and is not restricted to income from retirement or pension benefits. A person who takes the deduction under subsection (1)(e) is not eligible for the unrestricted deduction of \$35,000.00 for a single return and \$55,000.00 for a joint return, or \$70,000.00 for a joint return if applicable, under this subdivision.

(d) For a person born after 1952 who has reached the age of 62 through 66 years of age and who receives retirement or pension benefits from employment with a governmental agency that was not covered by the federal social security act, chapter 532, 49 Stat 620, the sum of the deductions under subsection (1)(f)(i), (ii), and (iv) is limited to \$15,000.00 for a single return and, except as otherwise provided under this subdivision, \$15,000.00 for a joint return. If both the husband and wife filing a joint return receive retirement or pension benefits from employment with a governmental agency that was not covered by the federal social security act, chapter 532, 49 Stat 620, the sum of the deductions under subsection (1)(f)(i), (ii), and (iv) is limited to \$30,000.00 for a joint return.

(e) Except as otherwise provided under subdivision (d), for a person born after 1952, the deduction under subsection (1)(f)(i), (ii), or (iv) does not apply. When that person reaches the age of 67, that person is eligible for a deduction of \$20,000.00 for a single return and \$40,000.00 for a joint return, which deduction is available against all types of income and is not restricted to income from retirement or pension benefits. If a person takes the deduction of \$20,000.00 for a single return and \$40,000.00 for a joint return, that person shall not take the deduction under subsection (1)(f)(iii) and shall not take the personal exemption under subsection (2). That person may elect not to take the deduction of \$20,000.00 for a single return and \$40,000.00 for a joint return and elect to take the deduction under subsection (1)(f)(iii) and the personal exemption under subsection (2) if that election would reduce that person's tax liability. A person who takes the deduction under subsection (1)(e) is not eligible for the unrestricted deduction of \$20,000.00 for a single return and \$40,000.00



for a joint return under this subdivision.

(f) For a joint return, the limitations and restrictions in this subsection shall be applied based on the age of the older spouse filing the joint return.

(10) As used in this section, "oil and gas" means oil and gas that is subject to severance tax under 1929 PA 48, MCL 205.301 to 205.317.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1970, Act 140, Imd. Eff. Aug. 1, 1970;—Am. 1971, Act 150, Imd. Eff. Nov. 22, 1971;—Am. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1974, Act 12, Imd. Eff. Feb. 15, 1974;—Am. 1974, Act 217, Imd. Eff. July 21, 1974;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 1976, Act 435, Imd. Eff. Jan. 11, 1977;—Am. 1978, Act 554, Imd. Eff. Dec. 22, 1978;—Am. 1980, Act 250, Imd. Eff. July 28, 1980;—Am. 1980, Act 517, Imd. Eff. Jan. 26, 1981;—Am. 1981, Act 135, Imd. Eff. Oct. 21, 1981;—Am. 1982, Act 240, Imd. Eff. Sept. 23, 1982;—Am. 1984, Act 284, Imd. Eff. Dec. 20, 1984;—Am. 1984, Act 415, Imd. Eff. Dec. 28, 1984;—Am. 1986, Act 315, Imd. Eff. Dec. 23, 1986;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1988, Act 516, Imd. Eff. Dec. 30, 1988;—Am. 1993, Act 328, Eff. Apr. 1, 1994;—Am. 1994, Act 268, Eff. July 7, 1994;—Am. 1995, Act 2, Imd. Eff. Mar. 8, 1995;—Am. 1995, Act 230, Eff. Jan. 9, 1996;—Am. 1996, Act 484, Eff. Jan. 1, 1997;—Am. 1997, Act 86, Imd. Eff. July 28, 1997;—Am. 1999, Act 181, Imd. Eff. Nov. 16, 1999;—Am. 2000, Act 162, Imd. Eff. June 16, 2000;—Am. 2000, Act 301, Imd. Eff. Oct. 11, 2000;—Am. 2000, Act 400, Imd. Eff. Jan. 8, 2001;—Am. 2002, Act 615, Imd. Eff. Dec. 20, 2002;—Am. 2004, Act 394, Imd. Eff. Oct. 15, 2004;—Am. 2005, Act 214, Imd. Eff. Nov. 21, 2005;—Am. 2007, Act 94, Imd. Eff. Oct. 1, 2007;—Am. 2007, Act 154, Imd. Eff. Dec. 20, 2007;—Am. 2009, Act 134, Imd. Eff. Nov. 4, 2009;—Am. 2011, Act 38, Eff. Jan. 1, 2012;—Am. 2012, Act 597, Imd. Eff. Jan. 9, 2013;—Am. 2015, Act 161, Imd. Eff. Oct. 28, 2015.

**Constitutionality:** The Michigan Income Tax Act violates principles of intergovernmental immunity by favoring retired state and local government employees over retired federal employees. *Davis v. Michigan Dept. of Treasury*, 109 S.Ct. 1500 (1989).

**Compiler's note:** Act 253 of 1980, purporting to amend MCL 206.30, 206.512, 206.520, and 206.522 and to add a MCL 206.261 could not take effect until Senate Joint Resolution X became effective as part of the constitution. Senate Joint Resolution X was submitted to and disapproved by the people at the general election held on November 4, 1980.

Enacting section 1 of Act 181 of 1999 provides:

"Enacting section 1. Notwithstanding any other provision of law, this amendatory act is intended to be retroactive and effective for tax years that begin on and after January 1, 1994."

Enacting section 1 of Act 597 of 2012 provides:

"Enacting section 1. This amendatory act takes effect January 1, 2012."

### **206.30a Taxable income; adjustment.**

Sec. 30a. Notwithstanding any other provision of this part, for the 2012 tax year and each tax year after 2012, taxable income for purposes of this part means taxable income as determined under section 30 with the following adjustment. For the 2012 tax year and each tax year after 2012, to determine taxable income, a taxpayer shall claim a personal exemption deduction equal to the amount calculated pursuant to section 30(2) or equal to the following amounts multiplied by the number of personal or dependency exemptions allowable on the taxpayer's federal income tax return pursuant to the internal revenue code, whichever calculation is greater:

(a) Beginning on and after October 1, 2012 and before January 1, 2014, \$3,950.00. The department shall annualize the personal exemption deduction for the 2012 tax year, rounded to the nearest \$1.00.

(b) Beginning on and after January 1, 2014 and each year after 2014, \$4,000.00.

**History:** Add. 2012, Act 224, Imd. Eff. June 29, 2012.

**Compiler's note:** Former MCL 206.30a, which pertained to certain allowable deductions, was repealed by Act 484 of 1996, Eff. Jan. 1, 1997.

### **206.30b-206.30c Repealed. 1996, Act 484, Eff. Jan. 1, 1997.**

**Compiler's note:** The repealed sections pertained to certain allowable deductions.

### **206.30d Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to short title of amendatory act and dependent child exemption.

### **206.30e "Dependent" defined.**

Sec. 30e. As used in section 30(3), "dependent" means an individual for whom the taxpayer may claim a dependency exemption on the taxpayer's federal income tax return pursuant to the internal revenue code.

**History:** Add. 2000, Act 43, Eff. Oct. 11, 2000.

### **206.30f Taxable income; education savings accounts; adjustment.**

Sec. 30f. For tax years that begin after December 31, 1999, taxable income for purposes of this part equals taxable income as determined under section 30 with the following adjustments:

(a) For tax years that begin after December 31, 1999, deduct, to the extent not deducted in determining adjusted gross income, interest earned in the tax year on the contributions to the taxpayer's education savings accounts if the contributions were deductible under section 30(1)(t)(i).

(b) For tax years that begin after December 31, 1999, deduct, to the extent included in adjusted gross income, distributions that are qualified withdrawals from an education savings account to the designated beneficiary of that education savings account. As used in this subdivision, "qualified withdrawal" means that term as defined in the Michigan education savings program act, 2000 PA 161, MCL 390.1471 to 390.1486.

**History:** Add. 2000, Act 163, Imd. Eff. June 16, 2000;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

## **206.31 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to taxpayers residing in renaissance zone.

### **206.31a Taxable income; determination; deduction; eligibility; filing annual return; withholding form; filing claim to which not entitled; penalty and interest; taxable income derived from illegal activity; calculation of net operating loss deduction; change in status; definitions.**

Sec. 31a. (1) Notwithstanding any other provision of this act and for the 2012 tax year and each tax year after 2012, "taxable income" means taxable income as determined under section 30 and, except as otherwise provided, subsequently adjusted under this section.

(2) For the 2012 tax year and each tax year after 2012 and to the extent and for the duration provided in the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, to determine taxable income, a qualified taxpayer may deduct, to the extent included in adjusted gross income, an amount equal to the sum of all of the following:

(a) Except as provided in subdivisions (b), (c), and (d), income earned or received during the period of time that the qualified taxpayer was a resident of a qualified renaissance zone.

(b) Interest and dividends received in the tax year during the period that the qualified taxpayer was a resident of a qualified renaissance zone.

(c) Capital gains received in the tax year prorated based on the percentage of time that the asset was held by the qualified taxpayer while the qualified taxpayer was a resident of the qualified renaissance zone.

(d) Income received by the qualified taxpayer from winning an on-line lottery game sponsored by this state only if the date on which the drawing for that game was held was after the taxpayer became a resident of a qualified renaissance zone and income received by the qualified taxpayer from winning an instant lottery game sponsored by this state only if the taxpayer was a resident of a qualified renaissance zone on the validation date of the lottery ticket for that game.

(3) Income used to calculate a deduction under any other section of this act shall not be used to calculate a deduction under this section.

(4) If a qualified taxpayer completes the residency requirements under subsection (11)(e), the qualified taxpayer may claim the deduction allowed under this section.

(5) To be eligible for the deduction under this section, a taxpayer shall file an annual return under this act.

(6) A qualified taxpayer shall file a withholding form prescribed by the department with his or her employer within 10 days after the date the taxpayer completes the requirements under subsection (11)(e).

(7) If the department finds that a taxpayer has claimed a deduction under this section to which he or she is not entitled, the taxpayer is subject to the interest and penalty provisions under 1941 PA 122, MCL 205.1 to 205.31.

(8) Any portion of taxable income derived from illegal activity conducted anywhere shall not be used to calculate a deduction under this section.

(9) The net operating loss deduction allowed under section 30(1)(n) shall be calculated without regard to the deductions allowed under this section.

(10) If a taxpayer who was a qualified taxpayer during the tax year changes status and is not a qualified taxpayer or vice versa, income subject to tax under this act shall be determined separately for income in each status.

(11) As used in this section:

(a) "Domicile" means a place where a person has his or her true, fixed, and permanent home and principal establishment to which, whenever absent, he or she intends to return, and domicile continues until another permanent establishment is established.

(b) "Qualified renaissance zone" means only those geographic areas in a renaissance zone that were designated as a renaissance zone under the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, before January 1, 2012. A qualified renaissance zone does not include any portion of a renaissance zone for which an extension or renewal is approved after December 31, 2011.

(c) "Qualified taxpayer" means a taxpayer that is a resident of a qualified renaissance zone and that has gross income not exceeding \$1,000,000.00 for any tax year for which the taxpayer claims a credit under this

section.

(d) "Renaissance zone" means that term as defined in section 3 of the Michigan renaissance zone act, 1996 PA 376, MCL 125.2683.

(e) "Resident" means an individual domiciled in an area that is a qualified renaissance zone for a period of 183 consecutive days. A taxpayer may begin calculating the 183-day period during the 183 days immediately preceding the designation of the area as a qualified renaissance zone. Resident includes the estate of an individual who was a resident of a qualified renaissance zone at the time of death. After a taxpayer has completed the 183-day residency requirement under this subdivision, the taxpayer is considered to have been a resident of that qualified renaissance zone beginning from the first day used to determine if the 183-day residency requirement has been met.

**History:** Add. 2011, Act 314, Eff. Jan. 1, 2012.

#### **206.31b Adjustment; "mineral" and "qualified taxpayer" defined.**

Sec. 31b. (1) Notwithstanding any other provision of this part, for the 2013 tax year and each tax year after 2013, taxable income for purposes of this part means taxable income as determined under section 30 with the following adjustment. For the 2013 tax year and each tax year after 2013, eliminate all of the following:

(a) Income derived from a mineral to the extent included in adjusted gross income.

(b) Expenses related to the income deductible under subdivision (a) to the extent deducted in arriving at adjusted gross income.

(2) As used in this act:

(a) "Mineral" means that term as defined in section 2 of the nonferrous metallic minerals extraction severance tax act.

(b) "Qualified taxpayer" means a taxpayer subject to the minerals severance tax levied under the nonferrous metallic minerals extraction severance tax act.

**History:** Add. 2012, Act 414, Imd. Eff. Dec. 20, 2012.

#### **206.32, 206.34 Repealed. 1975, Act 233, Imd. Eff. Aug. 27, 1975.**

**Compiler's note:** The repealed sections defined taxable income of corporations and financial institutions.

#### **206.36 "Taxable income" of resident estate or trust defined; "oil and gas" defined.**

Sec. 36. (1) "Taxable income" in the case of a resident estate or trust means federal taxable income as defined in the internal revenue code subject to the following adjustments:

(a) Add gross interest income and dividends derived from obligations or securities of states other than Michigan, in the same amount which has been excluded from federal taxable income less related expenses not deducted in computing federal taxable income because of section 265 of the internal revenue code.

(b) Add taxes on or measured by income to the extent the taxes have been deducted in arriving at federal taxable income.

(c) Add losses on the sale or exchange of obligations of the United States government, the income of which this state is prohibited from subjecting to a net income tax, to the extent that the loss has been deducted in arriving at federal taxable income.

(d) Deduct, to the extent included in federal taxable income, income derived from obligations, or the sale or exchange of obligations, of the United States government which this state is prohibited by law from subjecting to a net income tax, reduced by any interest on indebtedness incurred in carrying the obligations, and by any expenses incurred in the production of such income to the extent that the expenses, including amortizable bond premiums, were deducted in arriving at federal taxable income.

(e) Adjustments resulting from the application of section 271.

(f) Deduct an adjustment resulting from the allocation and apportionment provisions of chapter 3.

(g) For tax years beginning after December 31, 2011, eliminate all of the following:

(i) Income from producing oil and gas to the extent included in federal taxable income.

(ii) Expenses of producing oil and gas to the extent deducted in arriving at federal taxable income.

(2) The respective shares of an estate or trust and its beneficiaries, including, solely for the purpose of this allocation, nonresident beneficiaries, in the additions and subtractions to taxable income shall be in proportion to their respective shares of distributable net income of the estate or trust as defined in the internal revenue code. If the estate or trust has no distributable net income for the taxable year, the share of each beneficiary in the additions and subtractions shall be in proportion to his or her share of the estate or trust income for the year, under local law or the terms of the instrument, which is required to be distributed currently and any other amounts of such income distributed in the year. Any balance of the additions and subtractions shall be allocated to the estate or trust. If capital gains and losses are distributed or distributable to a beneficiary or

beneficiaries under the internal revenue code, the fiduciary shall advise each beneficiary of his or her share of the adjustment under section 271. The election or failure to elect under section 271 with respect to capital gains and losses taxable to the estate or trust shall not affect the beneficiary's right to elect or not to elect under section 271.

(3) An addition or subtraction shall not be made under this section which has the effect of duplicating an item of income or deduction if the taxpayer establishes to the satisfaction of the commissioner that the item is already reflected in federal taxable income. If an addition or subtraction with respect to the sale or exchange of obligations of the United States government proper adjustment, in accordance with rules promulgated by the department, of the deduction for excess of capital gains over capital losses shall be made.

(4) As used in this section, "oil and gas" means oil and gas that is subject to severance tax under 1929 PA 48, MCL 205.301 to 205.317.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1970, Act 140, Imd. Eff. Aug. 1, 1970;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

## CHAPTER 2

### **206.51 Tax rate on taxable income of person other than corporation; percentages of collections deposited in state school aid fund; farmland credits; imposition of annualized rate; computation of taxable income of nonresident; resident beneficiary of trust; tax credit; including items of income and deductions from trust in taxable income; intent of section; definitions.**

Sec. 51. (1) For receiving, earning, or otherwise acquiring income from any source whatsoever, there is levied and imposed under this part upon the taxable income of every person other than a corporation a tax at the following rates in the following circumstances:

(a) On and after October 1, 2007 and before October 1, 2012, 4.35%.

(b) Except as otherwise provided under subdivision (c), on and after October 1, 2012, 4.25%.

(c) For each tax year beginning on and after January 1, 2023, if the percentage increase in the total general fund/general purpose revenue from the immediately preceding fiscal year is greater than the inflation rate for the same period and the inflation rate is positive, then the current rate shall be reduced by an amount determined by multiplying that rate by a fraction, the numerator of which is the difference between the total general fund/general purpose revenue from the immediately preceding state fiscal year and the capped general fund/general purpose revenue and the denominator of which is the total revenue collected from this part in the immediately preceding state fiscal year. For purposes of this subdivision only, the state treasurer, the director of the senate fiscal agency, and the director of the house fiscal agency shall determine whether the total revenue distributed to general fund/general purpose revenue has increased as required under this subdivision based on the comprehensive annual financial report prepared and published by the department of technology, management, and budget in accordance with section 23 of article IX of the state constitution of 1963. The state treasurer, the director of the senate fiscal agency, and the director of the house fiscal agency shall make the determination under this subdivision no later than the date of the January 2023 revenue estimating conference conducted pursuant to sections 367a through 367f of the management and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date of each January revenue estimating conference conducted each year thereafter. As used in this subdivision:

(i) "Capped general fund/general purpose revenue" means the total general fund/general purpose revenue from the 2020-2021 state fiscal year multiplied by the sum of 1 plus the product of 1.425 times the difference between a fraction, the numerator of which is the consumer price index for the state fiscal year ending in the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the consumer price index for the 2020-2021 state fiscal year, and 1.

(ii) "Total general fund/general purpose revenue" means the total general fund/general purpose revenue and other financing sources as published in the comprehensive annual financial report schedule of revenue and other financing sources – general fund for that fiscal year plus any distribution made pursuant to section 51d.

(2) Beginning January 1, 2000, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963.

(3) In addition to the distribution under subsection (2) and section 51d, beginning October 1, 2016, from the revenue collected under this section an amount equal to 3.5% of the average amount of farmland tax credits claimed under section 36109 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state fiscal years shall be deposited into the agricultural

preservation fund created in section 36202 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36202.

(4) The department shall annualize rates provided in subsection (1) as necessary. The applicable annualized rate shall be imposed upon the taxable income of every person other than a corporation for those tax years.

(5) The taxable income of a nonresident shall be computed in the same manner that the taxable income of a resident is computed, subject to the allocation and apportionment provisions of this part.

(6) A resident beneficiary of a trust whose taxable income includes all or part of an accumulation distribution by a trust, as defined in section 665 of the internal revenue code, shall be allowed a credit against the tax otherwise due under this part. The credit shall be all or a proportionate part of any tax paid by the trust under this part for any preceding taxable year that would not have been payable if the trust had in fact made distribution to its beneficiaries at the times and in the amounts specified in section 666 of the internal revenue code. The credit shall not reduce the tax otherwise due from the beneficiary to an amount less than would have been due if the accumulation distribution were excluded from taxable income.

(7) The taxable income of a resident who is required to include income from a trust in his or her federal income tax return under the provisions of 26 USC 671 to 679, shall include items of income and deductions from the trust in taxable income to the extent required by this part with respect to property owned outright.

(8) It is the intention of this section that the income subject to tax of every person other than corporations shall be computed in like manner and be the same as provided in the internal revenue code subject to adjustments specifically provided for in this part.

(9) As used in this section:

(a) "Consumer price index" means the United States consumer price index for all urban consumers as defined and reported by the United States Department of Labor, Bureau of Labor Statistics.

(b) "Inflation rate" means the annual percentage change in the consumer price index, as determined by the department, comparing the 2 most recent completed state fiscal years.

(c) "Person other than a corporation" means a resident or nonresident individual or any of the following:

(i) A partner in a partnership as defined in the internal revenue code.

(ii) A beneficiary of an estate or a trust as defined in the internal revenue code.

(iii) An estate or trust as defined in the internal revenue code.

(d) "Taxable income" means taxable income as defined in this part subject to the applicable source and attribution rules contained in this part.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1971, Act 76, Eff. Aug. 1, 1971;—Am. 1972, Act 181, Eff. Aug. 1, 1972;—Am. 1975, Act 19, Eff. May 1, 1975;—Am. 1977, Act 44, Imd. Eff. June 30, 1977;—Am. 1982, Act 155, Imd. Eff. May 17, 1982;—Am. 1983, Act 15, Imd. Eff. Mar. 29, 1983;—Am. 1984, Act 221, Imd. Eff. July 26, 1984;—Am. 1986, Act 16, Eff. Mar. 26, 1986;—Am. 1990, Act 283, Imd. Eff. Dec. 14, 1990;—Am. 1993, Act 328, Eff. Apr. 1, 1994;—Am. 1995, Act 194, Imd. Eff. Nov. 7, 1995;—Am. 1999, Act 1, Imd. Eff. Feb. 25, 1999;—Am. 1999, Act 6, Imd. Eff. Feb. 25, 1999;—Am. 2007, Act 94, Imd. Eff. Oct. 1, 2007;—Am. 2011, Act 38, Eff. Oct. 1, 2011;—Am. 2012, Act 223, Imd. Eff. June 29, 2012;—Am. 2015, Act 180, Imd. Eff. Nov. 10, 2015;—Am. 2016, Act 266, Imd. Eff. June 28, 2016.

**Compiler's note:** Section 4 of Act 76 of 1971 provides:

**"Expiration of act; conditions.**

"Section 4. The provisions of this amendatory act shall expire August 1, 1972 unless prior thereto the legislature has submitted to the electors constitutional amendments which shall (a) grant property tax relief by limiting of levying of more than 10 mills on property for school operational purposes, (b) permit the legislature to enact taxes on income graduated either as to rate or base or both, or (c) a combination of (a) and (b) as one amendment and (a) as a separate amendment and which said amendments shall be voted upon at a special election to be held on November 2, 1971 or at the general election to be held November 1972."

The legislature did not submit to the electors at a November 2, 1971 special election or at the November, 1972 general election proposed constitutional amendment(s) to effect the purposes enumerated in Section 4 of Act 76 of 1971.

Section 51 of Act 250 of 1978, purporting to amend this section, was submitted to and disapproved by the people as part of Proposal E at the general election held on November 4, 1980.

Section 2 of Act 15 of 1983 provides:

**"Legislative finding and purpose.**

"Section 2. Because a severe economic recession has caused an actual deficit in state funds, the legislature finds that this amendatory act is necessary to, and it is the purpose of this amendatory act to, meet the actual deficiencies existing in state funds at the time of this enactment."

## **206.51a Repealed. 2011, Act 38 Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to calculation of tax, filing annual return, statute of limitations, and enforcement.

## **206.51b Repealed. 2000, Act 40, Imd. Eff. Mar. 27, 2000.**

**Compiler's note:** The repealed section pertained to income tax rate other than corporation and its levy and imposition.



#### **206.51c Repealed. 2007, Act 94, Imd. Eff. Oct. 1, 2007.**

**Compiler's note:** The repealed section pertained to income tax rates other than for corporations.

#### **206.51d Additional distribution; credit to Michigan transportation fund; disbursements; amounts; dates.**

Sec. 51d. In addition to the distribution under section 51(2), the following amounts of revenue collected from the tax levied under section 51 shall be deposited into the state treasury to the credit of the Michigan transportation fund created in section 10 of 1951 PA 51, MCL 247.660, and disbursed as provided in section 10(1)(k) of 1951 PA 51, MCL 247.660:

(a) Beginning October 1, 2018 through September 30, 2019, \$150,000,000.00.

(b) Beginning October 1, 2019 through September 30, 2020, \$325,000,000.00.

(c) Beginning October 1, 2020 and each October 1 thereafter, \$600,000,000.00.

**History:** Add. 2015, Act 179, Eff. Mar. 18, 2016.

**Compiler's note:** Former MCL 206.51d, which pertained to income tax rates other than for corporations, was repealed by Act 94 of 2007, Imd. Eff. Oct. 1, 2007.

#### **206.51e Repealed. 2007, Act 94, Imd. Eff. Oct. 1, 2007.**

**Compiler's note:** The repealed section pertained to income tax rates other than for corporations.

#### **206.52 Exemption.**

Sec. 52. For tax years beginning after 1986, a person with respect to whom a deduction under section 151 of the internal revenue code is allowable to another federal taxpayer during the tax year is not considered to have an allowable federal exemption for purposes of section 30(2) and, notwithstanding sections 51 and 315, if that person has an adjusted gross income for that tax year of \$1,500.00 or less, is exempt from the tax levied and imposed in section 51 and is not required to file a return under this part.

**History:** Add. 1988, Act 1, Imd. Eff. Jan. 22, 1988;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.61-206.81 Repealed. 1975, Act 233, Imd. Eff. Aug. 27, 1975.**

**Compiler's note:** The repealed sections pertained to taxes imposed on corporations, financial institutions, and unincorporated organizations.

#### **206.91 Common trust funds and participants; taxable status.**

Sec. 91. (1) A common trust fund meeting the requirements of section 584 of the internal revenue code, shall not be subject to tax under this part.

(2) Each participant in the common trust fund shall, under rules prescribed by the department, include its proportionate share of the taxable income whether or not distributed and whether or not distributable.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

### **CHAPTER 3**

#### **206.101 Repealed. 1970, Act 140, Imd. Eff. Aug. 1, 1970.**

**Compiler's note:** The repealed section pertained to taxable income attributable to Michigan.

#### **206.102 Income producing activities solely in state.**

Sec. 102. In the case of taxable income of a taxpayer whose income-producing activities are confined solely to this state, the entire taxable income of such taxpayer shall be allocated to this state, except as otherwise expressly provided in this part.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.103 Taxable income partly attributable to state.**

Sec. 103. Any taxpayer having income from business activity which is taxable both within and without this state, other than the rendering of purely personal services by an individual, shall allocate and apportion his net income as provided in this part.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1970, Act 140, Imd. Eff. Aug. 1, 1970;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.105 Allocation and apportionment of business income taxable in another state.**

Sec. 105. For purposes of allocation and apportionment of income from business activity under this part, a taxpayer is taxable in another state if (a) in that state he is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business or a corporate stock tax, or (b) that state has jurisdiction to subject the taxpayer to a net income tax regardless of whether, in fact, the state does

or does not.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

## **206.110 Taxable income of individuals, estates, or trusts; definitions; allocation; rents and royalties.**

Sec. 110. (1) For a resident individual, estate, or trust, all taxable income from any source whatsoever, except that attributable to another state under sections 111 to 115 and subject to section 255, is allocated to this state.

(2) For a nonresident individual, estate, or trust, all taxable income is allocated to this state to the extent it is earned, received, or acquired in 1 or more of the following ways:

(a) For the rendition of personal services performed in this state.

(b) As a distributive share of the net profits of a business, profession, enterprise, undertaking, or other activity as the result of work done, services rendered, or other business activities conducted in this state, except as allocated to another state pursuant to sections 111 to 114 and subject to section 256.

(c) For tax years beginning after 1996, as a prize won by the taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act, 1972 PA 239, MCL 432.1 to 432.47.

(d) As winnings that are proceeds of a wagering transaction paid on or after October 1, 2003 by a casino or as a payoff price on a winning ticket that is the result of pari-mutuel wagering at a licensed race meeting if the casino or licensed race meeting is located in this state. As used in this subdivision:

(i) "Casino" means a casino regulated by this state under the Michigan gaming control and revenue act, 1996 IL 1, MCL 432.201 to 432.226, or a building on Native American land or land held in trust by the United States for a federally recognized Indian tribe on which gaming is conducted under the Indian gaming regulatory act, Public Law 100-497, 102 Stat 2467.

(ii) "Pari-mutuel wagering" and "licensed race meeting" mean those terms as used in the horse racing law of 1995, 1995 PA 279, MCL 431.301 to 431.336.

(3) The respective shares of a nonresident estate or trust and its beneficiaries, including, solely for purposes of allocation, resident and nonresident beneficiaries, in the income attributable to this state shall be in proportion to the respective shares of distributable net income of the beneficiaries under the internal revenue code. If the estate or trust has no distributable net income for the tax year, the share of each beneficiary in the income attributable to this state shall be in proportion to his or her share of the estate or trust income for that year, under local law or the terms of the instrument, that is required to be distributed currently and other amounts of the income distributed in the year. Any balance of the income attributable to this state shall be allocated to the estate or trust.

(4) Rents and royalties from real or tangible personal property, capital gains, interest, dividends, or patent or copyright royalties, to the extent that they constitute a nonbusiness income, shall be allocated as provided in sections 111 to 114.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1990, Act 283, Imd. Eff. Dec. 14, 1990;—Am. 1996, Act 484, Eff. Jan. 1, 1997;—Am. 2003, Act 21, Imd. Eff. June 24, 2003;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

## **206.111 Rents and royalties; allocation.**

Sec. 111. (1) Net rents and royalties from real property located in this state are allocable to this state.

(2) Net rents and royalties from tangible personal property are allocable to this state:

(a) If and to the extent that the property is utilized in this state; or

(b) In their entirety if the taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

(3) The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

## **206.112 Capital gains and losses.**

Sec. 112. (1) Capital gains and losses from sales or exchanges of real property located in this state are allocable to this state.

(2) Capital gains and losses from sales or exchanges of tangible personal property are allocable to this state if:

(a) The property had a situs in this state at the time of the sale; or  
(b) The taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state and the taxpayer is not taxable in the state in which the property had a situs.

(3) Capital gains and losses from sales or exchanges of intangible personal property are allocable to this state if the taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

#### **206.113 Interest and dividends; allocation.**

Sec. 113. Interest and dividends are allocable to this state if the taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

#### **206.114 Patent and copyright royalties; allocation.**

Sec. 114. (1) Patent and copyright royalties are allocable to this state:

(a) If and to the extent that the patent or copyright is utilized by the payer in this state; or  
(b) If and to the extent that the patent or copyright is utilized by the payer in a state in which the taxpayer is not taxable and the taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state.

(2) A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing or other processing in the state or to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent is utilized in this state if the taxpayer is a resident partnership, estate or trust or individual or has a commercial domicile in this state.

(3) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in this state if the taxpayer is a resident partnership, estate or trust or individual or has a commercial domicile in this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

#### **206.115 Apportionment of business income; exception; calculation.**

Sec. 115. (1) Before January 1, 2012, all business income, other than income from transportation services, shall be apportioned to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is 3.

(2) After December 31, 2011, all business income, other than income from transportation services, shall be apportioned to this state by multiplying the income by the sales factor calculated under section 121.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 2011, Act 38, Eff. Jan. 1, 2012;—Am. 2011, Act 178, Eff. Jan. 1, 2012.

#### **206.116-206.120 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed sections pertained to property factor, rental rate, average property value, determination of payroll factor, and determination of compensation paid in state.

#### **206.121 Sales factor; determination.**

Sec. 121. The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the tax period, and the denominator of which is the total sales of the taxpayer everywhere during the tax period.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **206.122 Sales of tangible personalty within Michigan.**

Sec. 122. Sales of tangible personal property are in this state if:

(a) The property is delivered or shipped to a purchaser, other than the United States government, within this state regardless of the f.o.b. point or other conditions of the sale; or

(b) The property is shipped from an office, store, warehouse, factory or other place of storage in this state and (i) the purchaser is the United States government or (ii) the taxpayer is not taxable in the state of the purchaser.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**206.123 Sales other than sales of tangible personalty within state.**

Sec. 123. Sales, other than sales of tangible personal property, are in this state if:

(a) The income-producing activity is performed in this state; or

(b) The income-producing activity is performed both in and outside this state and a greater proportion of the income-producing activity is performed in this state than outside this state, based on costs of performance.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**206.125 Repealed. 1975, Act 233, Imd. Eff. Aug. 27, 1975.**

**Compiler's note:** The repealed section pertained to taxable income of domestic insurers.

**206.131 Transportation services; sections applicable.**

Sec. 131. The taxable income of a taxpayer whose income-producing activities consist of transportation services rendered partly within and partly without the state shall be determined under the provisions of sections 132 to 134.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**206.132 Transportation other than of oil or gas by pipeline; revenue mile; taxable income.**

Sec. 132. In the case of taxable income other than that derived from the transportation of oil or gas by pipeline, that portion of the net income of the taxpayer derived from transportation services wherever performed that the revenue miles of the taxpayer in Michigan bear to the revenue miles of the taxpayer everywhere. A revenue mile means the transportation for a consideration or 1 net ton in weight or 1 passenger the distance of 1 mile. The taxable income attributable to Michigan sources in the case of a taxpayer engaged in the transportation both of property and of individuals shall be that portion of the entire net income of the taxpayer which is equal to the average of his passenger miles and ton mile fractions, separately computed and individually weighted by the ratio of gross receipts from passenger transportation to total gross receipts from all transportation, and by the ratio of gross receipts from freight transportation to total gross receipts from all transportation, respectively. If it is shown to the satisfaction of the department that the foregoing information is not available or cannot be obtained without unreasonable expense to the taxpayer, the commissioner may use such other data which may be available and which in the opinion of the department will result in an equitable allocation of such receipts to this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**206.133 Transportation of oil by pipeline; taxable income.**

Sec. 133. In the case of taxable income derived from the transportation of oil by pipeline, that portion of the net income of the taxpayer derived from the pipeline transportation of oil everywhere that the barrel miles transported in Michigan bear to the barrel miles transported by the taxpayer everywhere.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**206.134 Transportation of gas by pipeline; taxable income.**

Sec. 134. In the case of taxable income derived from the transportation of gas by pipeline, net income attributable to Michigan shall be that portion of the taxable income of the taxpayer derived from the pipeline transportation of gas everywhere that the thousand cubic feet miles transported in Michigan bear to the thousand cubic feet miles transported by the taxpayer everywhere.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**206.151 Repealed. 1975, Act 233, Imd. Eff. Aug. 27, 1975.**

**Compiler's note:** The repealed section pertained to taxable income of financial organizations.

**206.191 Sales not exceeding \$100,000; taxable income.**

Sec. 191. (1) If the taxpayer's only activities within this state consist of sales and do not include owning or renting real estate or tangible personal property and whose dollar volume of gross sales made during the tax year within the state is not in excess of \$100,000.00 the taxpayer may elect for that year:

(a) To report and pay a tax on net income arrived at by multiplying total sales in this state for the taxable year by the ratio of net income from operations to total sales as reported on his federal income tax return for the same taxable year; or

(b) Report and pay a tax of 2/5 of 1% on total sales in this state, whichever method reflects the lesser tax liability.

(2) The election is not available for any taxable year for which a consolidated return is required.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **206.195 Alternative methods of allocation and apportionment; approval.**

Sec. 195. (1) If the allocation and apportionment provisions of this part do not fairly represent the extent of the taxpayer's business activity in this state, the taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- (a) Separate accounting;
  - (b) The inclusion of 1 or more additional factors which will fairly represent the taxpayer's business activity in this state.
  - (c) The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's taxable income.
- (2) An alternative method will be effective only with approval by the department.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

### **CHAPTER 4**

#### **206.201 Exemption of persons exempt from federal income tax; exceptions.**

Sec. 201. (1) A person who is exempt from federal income tax pursuant to the provisions of the internal revenue code shall be exempt from the tax imposed by this part except the unrelated taxable business income of an exempt person as determined under the internal revenue code.

(2) Nothing in this section shall exempt a person from the withholding and information return provisions of this part.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.211, 206.221 Repealed. 1975, Act 233, Imd. Eff. Aug. 27, 1975.**

**Compiler's note:** The repealed sections pertained to exemptions for foreign or alien insurers and for nonresident financial institutions.

### **CHAPTER 5**

#### **206.251 Credit for taxes withheld; election to treat as total tax.**

Sec. 251. (1) The amount withheld under section 703 shall be allowed to the recipient of the compensation as a credit against the tax imposed on him or her by this part.

(2) The amount so withheld during any calendar year shall be allowed as a credit for the taxable year beginning in such calendar year. If more than 1 taxable year begins in a calendar year, such amount shall be allowed as a credit for the last taxable year so beginning.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 2011, Act 38, Eff. Jan. 1, 2012;—Am. 2011, Act 174, Eff. Jan. 1, 2012.

#### **206.252, 206.253 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed sections pertained to Headlee amendment refund and tax credit relating to purchase and installation of qualified home improvement.

#### **206.255 Credit for tax imposed by another state, District of Columbia, or Canadian province; allowance of Canadian provincial credit; maximum credit.**

Sec. 255. (1) A resident individual or resident estate or trust is allowed a credit against the tax due under this part for the amount of an income tax imposed on the resident individual or resident estate or trust for the tax year by another state of the United States, a political subdivision of another state of the United States, the District of Columbia, or a Canadian province, on income derived from sources outside this state that is also subject to tax under this part or the amount determined under subsection (3), whichever is less. For purposes of the Canadian provincial credit, the credit is allowed for only that portion of the provincial tax not claimed as a credit for federal income tax purposes. It is presumed that the Canadian federal income tax is claimed first. The provincial tax claimed as a carryover deduction as provided in the internal revenue code is not allowed as a credit under this section.

(2) The Canadian provincial credit shall be allowed for the 1978 tax year and for each tax year after 1978.

(3) The credit under this section shall not exceed an amount determined by dividing income that is subject to taxation both in this state and in another jurisdiction by taxable income and then multiplying that result by the taxpayer's tax liability before any credits are deducted.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1978, Act 589, Imd. Eff. Jan. 4, 1979



;—Am. 1979, Act 30, Imd. Eff. June 14, 1979;—Am. 1982, Act 515, Imd. Eff. Dec. 31, 1982;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1996, Act 484, Eff. Jan. 1, 1997;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**Compiler's note:** Section 2 of Act 515 of 1982 provides: “(1) Section 255 of this amendatory act shall be effective for the 1979 tax year and each tax year thereafter.

(2) Section 301 of this amendatory act shall take effect for tax years beginning on or after January 1, 1983.

(3) Section 520 of this amendatory act shall take effect for tax years beginning on or after January 1, 1981.”

#### **206.256 Tax exemption in other states by nonresidents; reciprocal agreement.**

Sec. 256. For a nonresident individual, estate, or trust, if the laws of the state of residence exempt a resident of this state from liability for the payment of income taxes on income earned for personal services performed in that state, the department may enter into a reciprocal agreement with that state to provide a similar tax exemption for that state's residents on income earned for personal services performed in this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1996, Act 484, Eff. Jan. 1, 1997;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.257 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to tax credit for city income taxes.

#### **206.258 Repealed. 1975, Act 233, Imd. Eff. Aug. 27, 1975.**

**Compiler's note:** The repealed section pertained to credit for personal property taxes paid on inventories.

#### **206.260, 206.261 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed sections pertained to tax credit for certain charitable contributions and to certain community foundations.

#### **206.262 Repealed. 1996, Act 484, Eff. Jan. 1, 1997.**

**Compiler's note:** The repealed section pertained to tax credits for solar, wind, or water energy conversion devices.

#### **206.263 Repealed. 1996, Act 484, Eff. Jan. 1, 1996.**

**Compiler's note:** The repealed section pertained to agricultural products gleaned from agricultural property.

#### **206.264 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to tax credit for contribution to medical care savings account.

#### **206.265 Credit against tax; determining amount; eligibility; limitation; refund.**

Sec. 265. (1) For the 1989 tax year and each tax year after 1989, a taxpayer may credit against the tax imposed by this part for the tax year an amount equal to the tax paid in any prior tax year attributable to income received by the taxpayer in any prior tax year and repaid by the taxpayer during the tax year if the taxpayer is eligible for a deduction or credit against his or her federal tax liability pursuant to section 1341 of the internal revenue code based on the repayment for the tax year. A credit under this section for a tax year is allowed only if the repayment for which a deduction or credit was taken pursuant to section 1341 of the internal revenue code is not deducted in calculating the taxpayer's adjusted gross income for the tax year.

(2) If the credit allowed under this section exceeds the tax liability of the taxpayer for the tax year, that portion of the credit that exceeds the tax liability shall be refunded.

**History:** Add. 1993, Act 128, Imd. Eff. July 22, 1993;—Am. 1998, Act 19, Imd. Eff. Mar. 12, 1998;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**Compiler's note:** Enacting section 1 of Act 19 of 1998 provides:

“This amendatory act is effective for tax years beginning after 1988.”

#### **206.266 Rehabilitation of historic resource; tax credit; plan; certification; revocation of certificate or sale of historic resource; rules; report; definitions.**

Sec. 266. (1) A qualified taxpayer with a rehabilitation plan certified after December 31, 1998 and before January 1, 2012 may credit against the tax imposed by this part the amount determined pursuant to subsection (2) for the qualified expenditures for the rehabilitation of a historic resource pursuant to the rehabilitation plan in the year in which the certification of completed rehabilitation of the historic resource is issued. Only those expenditures that are paid or incurred during the time periods prescribed for the credit under section 47(a)(2) of the internal revenue code and any related treasury regulations shall be considered qualified expenditures.

(2) The credit allowed under this section shall be 25% of the qualified expenditures that are eligible, or would have been eligible except that the taxpayer elected to transfer the credit under subsection (12), for the credit under section 47(a)(2) of the internal revenue code if the taxpayer is eligible for the credit under section 47(a)(2) of the internal revenue code or, if the taxpayer is not eligible for the credit under section 47(a)(2) of

the internal revenue code, 25% of the qualified expenditures that would qualify under section 47(a)(2) of the internal revenue code except that the expenditures are made to a historic resource that is not eligible for the credit under section 47(a)(2) of the internal revenue code, subject to both of the following:

(a) A taxpayer with qualified expenditures that are eligible for the credit under section 47(a)(2) of the internal revenue code may not claim a credit under this section for those qualified expenditures unless the taxpayer has claimed and received a credit for those qualified expenditures under section 47(a)(2) of the internal revenue code or the taxpayer has elected to transfer the credit under subsection (12).

(b) A credit under this section shall be reduced by the amount of a credit received by the taxpayer for the same qualified expenditures under section 47(a)(2) of the internal revenue code.

(3) To be eligible for the credit under this section, the taxpayer shall apply to and receive from the Michigan state housing development authority that the historic significance, the rehabilitation plan, and the completed rehabilitation of the historic resource meet the criteria under subsection (6) and either of the following:

(a) All of the following criteria:

(i) The historic resource contributes to the significance of the historic district in which it is located.

(ii) Both the rehabilitation plan and completed rehabilitation of the historic resource meet the federal secretary of the interior's standards for rehabilitation and guidelines for rehabilitating historic buildings, 36 CFR part 67.

(iii) All rehabilitation work has been done to or within the walls, boundaries, or structures of the historic resource or to historic resources located within the property boundaries of the resource.

(b) The taxpayer has received certification from the national park service that the historic resource's significance, the rehabilitation plan, and the completed rehabilitation qualify for the credit allowed under section 47(a)(2) of the internal revenue code.

(4) If a qualified taxpayer is eligible for the credit allowed under section 47(a)(2) of the internal revenue code, the qualified taxpayer shall file for certification with the authority to qualify for the credit allowed under section 47(a)(2) of the internal revenue code. If the qualified taxpayer has previously filed for certification with the authority to qualify for the credit allowed under section 47(a)(2) of the internal revenue code, additional filing for the credit allowed under this section is not required.

(5) The authority may inspect a historic resource at any time during the rehabilitation process and may revoke certification of completed rehabilitation if the rehabilitation was not undertaken as represented in the rehabilitation plan or if unapproved alterations to the completed rehabilitation are made during the 5 years after the tax year in which the credit was claimed. The authority shall promptly notify the department of a revocation.

(6) Qualified expenditures for the rehabilitation of a historic resource may be used to calculate the credit under this section if the historic resource meets 1 of the criteria listed in subdivision (a) and 1 of the criteria listed in subdivision (b):

(a) The resource is 1 of the following during the tax year in which a credit under this section is claimed for those qualified expenditures:

(i) Individually listed on the national register of historic places or state register of historic sites.

(ii) A contributing resource located within a historic district listed on the national register of historic places or the state register of historic sites.

(iii) A contributing resource located within a historic district designated by a local unit pursuant to an ordinance adopted under the local historic districts act, 1970 PA 169, MCL 399.201 to 399.215.

(b) The resource meets 1 of the following criteria during the tax year in which a credit under this section is claimed for those qualified expenditures:

(i) The historic resource is located in a designated historic district in a local unit of government with an existing ordinance under the local historic districts act, 1970 PA 169, MCL 399.201 to 399.215.

(ii) The historic resource is located in an incorporated local unit of government that does not have an ordinance under the local historic districts act, 1970 PA 169, MCL 399.201 to 399.215, and has a population of less than 5,000.

(iii) The historic resource is located in an unincorporated local unit of government.

(iv) The historic resource is located in an incorporated local unit of government that does not have an ordinance under the local historic districts act, 1970 PA 169, MCL 399.201 to 399.215, and is located within the boundaries of an association that has been chartered under 1889 PA 39, MCL 455.51 to 455.72.

(v) The historic resource is subject to a historic preservation easement.

(7) A credit amount assigned under section 39c(7) of former 1975 PA 228 or section 435 of the Michigan business tax act, 2007 PA 36, MCL 208.1435, may be claimed against the partner's, member's, or shareholder's tax liability under this part as provided in section 39c(7) of former 1975 PA 228 or section 435

of the Michigan business tax act, 2007 PA 36, MCL 208.1435.

(8) If the credit allowed under this section for the tax year and any unused carryforward of the credit allowed by this section exceed the taxpayer's tax liability for the tax year, that portion that exceeds the tax liability for the tax year shall not be refunded but may be carried forward to offset tax liability in subsequent tax years for 10 years or until used up, whichever occurs first. For projects for which a certificate of completed rehabilitation is issued for a tax year beginning after December 31, 2008 and for which the credit amount allowed is less than \$250,000.00, a qualified taxpayer may elect to forgo the carryover period and receive a refund of the amount of the credit that exceeds the qualified taxpayer's tax liability. The amount of the refund shall be equal to 90% of the amount of the credit that exceeds the qualified taxpayer's tax liability. An election under this subsection shall be made in the year that a certificate of completed rehabilitation is issued and shall be irrevocable.

(9) For tax years beginning before January 1, 2009, if a taxpayer sells a historic resource for which a credit under this section was claimed less than 5 years after the year in which the credit was claimed, the following percentage of the credit amount previously claimed relative to that historic resource shall be added back to the tax liability of the taxpayer in the year of the sale:

- (a) If the sale is less than 1 year after the year in which the credit was claimed, 100%.
- (b) If the sale is at least 1 year but less than 2 years after the year in which the credit was claimed, 80%.
- (c) If the sale is at least 2 years but less than 3 years after the year in which the credit was claimed, 60%.
- (d) If the sale is at least 3 years but less than 4 years after the year in which the credit was claimed, 40%.
- (e) If the sale is at least 4 years but less than 5 years after the year in which the credit was claimed, 20%.
- (f) If the sale is 5 years or more after the year in which the credit was claimed, an addback to the taxpayer's tax liability shall not be made.

(10) For tax years beginning before January 1, 2009, if a certification of completed rehabilitation is revoked under subsection (5) less than 5 years after the year in which a credit was claimed, the following percentage of the credit amount previously claimed relative to that historic resource shall be added back to the tax liability of the taxpayer in the year of the revocation:

- (a) If the revocation is less than 1 year after the year in which the credit was claimed, 100%.
- (b) If the revocation is at least 1 year but less than 2 years after the year in which the credit was claimed, 80%.
- (c) If the revocation is at least 2 years but less than 3 years after the year in which the credit was claimed, 60%.
- (d) If the revocation is at least 3 years but less than 4 years after the year in which the credit was claimed, 40%.
- (e) If the revocation is at least 4 years but less than 5 years after the year in which the credit was claimed, 20%.
- (f) If the revocation is 5 years or more after the year in which the credit was claimed, an addback to the taxpayer's tax liability shall not be made.

(11) For tax years beginning after December 31, 2008, if a certificate of completed rehabilitation is revoked under subsection (5) or if the historic resource is sold or disposed of less than 5 years after being placed in service as defined in section 47(b)(1) of the internal revenue code and related treasury regulations, the following percentage of the credit amount previously claimed relative to that historic resource shall be added back to the tax liability of the qualified taxpayer that received the certificate of completed rehabilitation and not the assignee in the year of the revocation:

- (a) If the revocation is less than 1 year after the historic resource is placed in service, 100%.
- (b) If the revocation is at least 1 year but less than 2 years after the historic resource is placed in service, 80%.
- (c) If the revocation is at least 2 years but less than 3 years after the historic resource is placed in service, 60%.
- (d) If the revocation is at least 3 years but less than 4 years after the historic resource is placed in service, 40%.
- (e) If the revocation is at least 4 years but less than 5 years after the historic resource is placed in service, 20%.
- (f) If the revocation is at least 5 years or more after the historic resource is placed in service, an addback to the qualified taxpayer tax liability shall not be required.

(12) A qualified taxpayer who receives a certificate of completed rehabilitation after December 31, 2008 may elect to forgo claiming the credit and transfer the credit along with the ownership of the property for which the credit may be claimed to a new owner. The new owner shall be treated as the qualified taxpayer having incurred the rehabilitation costs and shall be subject to the recapture provisions under subsection (11)

if the new owner sells or disposes of the property within 5 years after the new owner acquired the property. For purposes of this subsection and subsection (11), the placed in service date for a new owner is the date the new owner acquired the property for which the credit is claimed.

(13) The authority may impose a fee to cover the administrative cost of implementing the program under this section.

(14) The qualified taxpayer shall attach all of the following to the qualified taxpayer's annual return under this part:

(a) Certification of completed rehabilitation.

(b) Certification of historic significance related to the historic resource and the qualified expenditures used to claim a credit under this section.

(c) A completed assignment form if the qualified taxpayer is an assignee under section 39c of former 1975 PA 228 or section 435 of the Michigan business tax act, 2007 PA 36, MCL 208.1435, of any portion of a credit allowed under that section.

(15) The authority may promulgate rules to implement this section pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

(16) The total of the credits claimed under this section and section 39c of former 1975 PA 228 or section 435 of the Michigan business tax act, 2007 PA 36, MCL 208.1435, for a rehabilitation project shall not exceed 25% of the total qualified expenditures eligible for the credit under this section for that rehabilitation project.

(17) The authority shall report all of the following to the legislature annually for the immediately preceding state fiscal year:

(a) The fee schedule used by the center and the total amount of fees collected.

(b) A description of each rehabilitation project certified.

(c) The location of each new and ongoing rehabilitation project.

(18) As used in this section:

(a) "Contributing resource" means a historic resource that contributes to the significance of the historic district in which it is located.

(b) "Historic district" means an area, or group of areas not necessarily having contiguous boundaries, that contains 1 resource or a group of resources that are related by history, architecture, archaeology, engineering, or culture.

(c) "Historic resource" means a publicly or privately owned historic building, structure, site, object, feature, or open space located within a historic district designated by the national register of historic places, the state register of historic sites, or a local unit acting under the local historic districts act, 1970 PA 169, MCL 399.201 to 399.215; or that is individually listed on the state register of historic sites or national register of historic places and includes all of the following:

(i) An owner-occupied personal residence or a historic resource located within the property boundaries of that personal residence.

(ii) An income-producing commercial, industrial, or residential resource or a historic resource located within the property boundaries of that resource.

(iii) A resource owned by a governmental body, nonprofit organization, or tax-exempt entity that is used primarily by a taxpayer lessee in a trade or business unrelated to the governmental body, nonprofit organization, or tax-exempt entity and that is subject to tax under this part.

(iv) A resource that is occupied or utilized by a governmental body, nonprofit organization, or tax-exempt entity pursuant to a long-term lease or lease with option to buy agreement.

(v) Any other resource that could benefit from rehabilitation.

(d) "Local unit" means a county, city, village, or township.

(e) "Long-term lease" means a lease term of at least 27.5 years for a residential resource or at least 31.5 years for a nonresidential resource.

(f) "Michigan state housing development authority" or "authority" means the public body corporate and politic created by section 21 of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1421.

(g) "Open space" means undeveloped land, a naturally landscaped area, or a formal or man-made landscaped area that provides a connective link or a buffer between other resources.

(h) "Person" means an individual, partnership, corporation, association, governmental entity, or other legal entity.

(i) "Qualified expenditures" means capital expenditures that qualify, or would qualify except that the taxpayer elected to transfer the credit under subsection (12), for a rehabilitation credit under section 47(a)(2) of the internal revenue code if the taxpayer is eligible for the credit under section 47(a)(2) of the internal

revenue code or, if the taxpayer is not eligible for the credit under section 47(a)(2) of the internal revenue code, the qualified expenditures that would qualify under section 47(a)(2) of the internal revenue code except that the expenditures are made to a historic resource that is not eligible for the credit under section 47(a)(2) of the internal revenue code, that were paid. Qualified expenditures do not include capital expenditures for nonhistoric additions to a historic resource except an addition that is required by state or federal regulations that relate to historic preservation, safety, or accessibility.

(j) "Qualified taxpayer" means a person that is an assignee under section 39c of former 1975 PA 228 or section 435 of the Michigan business tax act, 2007 PA 36, MCL 208.1435, or either owns the resource to be rehabilitated or has a long-term lease agreement with the owner of the historic resource and that has qualified expenditures for the rehabilitation of the historic resource equal to or greater than 10% of the state equalized valuation of the property. If the historic resource to be rehabilitated is a portion of a historic or nonhistoric resource, the state equalized valuation of only that portion of the property shall be used for purposes of this subdivision. If the assessor for the local tax collecting unit in which the historic resource is located determines the state equalized valuation of that portion, that assessor's determination shall be used for purposes of this subdivision. If the assessor does not determine that state equalized valuation of that portion, qualified expenditures, for purposes of this subdivision, shall be equal to or greater than 5% of the appraised value as determined by a certified appraiser. If the historic resource to be rehabilitated does not have a state equalized valuation, qualified expenditures for purposes of this subdivision shall be equal to or greater than 5% of the appraised value of the resource as determined by a certified appraiser.

(k) "Rehabilitation plan" means a plan for the rehabilitation of a historic resource that meets the federal secretary of the interior's standards for rehabilitation and guidelines for rehabilitation of historic buildings under 36 CFR part 67.

**History:** Add. 1998, Act 535, Imd. Eff. Jan. 19, 1999;—Am. 1999, Act 214, Imd. Eff. Dec. 28, 1999;—Am. 2001, Act 70, Imd. Eff. July 24, 2001;—Am. 2006, Act 52, Imd. Eff. Mar. 9, 2006;—Am. 2007, Act 94, Imd. Eff. Oct. 1, 2007;—Am. 2008, Act 447, Imd. Eff. Jan. 9, 2009;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**Compiler's note:** Enacting section 1 of Act 52 of 2006 provides:

"Enacting section 1. This amendatory act is effective for tax years that begin after December 31, 2004."

For transfer of powers and duties of department of history, arts, and libraries or the Michigan historical center relating to the identification, certification, and preservation of historical sites to the Michigan state housing development authority, see E.R.O. No. 2009-26, compiled at MCL 399.752.

**Administrative rules:** R 206.151 et seq. of the Michigan Administrative Code.

## **206.267-206.269 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed sections pertained to tax credit after December 31, 2000, tax exemption for qualified adoption expenses, and tax credit for donated automobiles.

## **206.270 Tax voucher certificate; definitions.**

Sec. 270. (1) For tax years that begin after December 31, 2008, a taxpayer to whom a tax voucher certificate is issued under an agreement entered into before January 1, 2012 or a taxpayer that is the transferee of a tax voucher certificate that is issued under an agreement entered into before January 1, 2012 may use the tax voucher certificate to pay any liability of the taxpayer under section 51 or to pay any amount owed by the taxpayer under section 351.

(2) A tax voucher certificate shall be used for the purposes allowed under subsection (1) and only in a tax year that begins after December 31, 2008.

(3) The amount of the tax voucher that may be used to pay a liability due under this part in any tax year shall not exceed the lesser of the following:

(a) The amount of the tax voucher stated in the tax voucher certificate held by the taxpayer.

(b) The amount authorized to be used in the tax year under the terms of the tax voucher certificate.

(c) The taxpayer's liability under this part for the tax year for which the tax voucher is used.

(4) If the amount of any tax voucher certificate held by a taxpayer or transferee exceeds the amount the taxpayer may use under subsection (3)(b) or (c) in a tax year, that excess may be used by the taxpayer or transferee to pay, subject to the limitations of subsection (3), any future liability of the taxpayer or transferee under this part.

(5) The tax voucher certificate, and any completed transfer form that was issued pursuant to the Michigan early stage venture investment act of 2003, 2003 PA 296, MCL 125.2231 to 125.2263, shall be attached to the annual return under this part. The department may prescribe and implement alternative methods of reporting and recording ownership, transfer, and utilization of tax voucher certificates that are not inconsistent with the provisions of this act. The department shall administer this section to assure that any amount of a tax voucher certificate used to pay any liability under this part shall not also be applied to pay any liability of the taxpayer



or any other person under the Michigan business tax act, 2007 PA 36, MCL 208.1101 to 208.1601. The department shall take any action necessary to enforce and effectuate the permissible issuance and use of tax voucher certificates in a manner authorized under this section and the Michigan early stage venture investment act of 2003, 2003 PA 296, MCL 125.2231 to 125.2263.

(6) As used in this section:

(a) "Certificate" or "tax voucher certificate" means the tax voucher certificate issued under section 23 of the Michigan early stage venture capital investment act of 2003, 2003 PA 296, MCL 125.2253, or any replacement tax voucher certificate issued under former section 37e(9)(b) or (d) of the single business tax act, 1975 PA 228, or section 419 of the Michigan business tax act, 2007 PA 36, MCL 208.1419.

(b) "Transferee" means a taxpayer to whom a tax voucher certificate has been transferred under section 23 of the Michigan early stage venture investment act of 2003, 2003 PA 296, MCL 125.2253, and former section 37e of the single business tax act, 1975 PA 228, or section 419 of the Michigan business tax act, 2007 PA 36, MCL 208.1419.

**History:** Add. 2003, Act 295, Imd. Eff. Jan. 8, 2004;—Am. 2005, Act 234, Imd. Eff. Nov. 21, 2005;—Am. 2007, Act 94, Imd. Eff. Oct. 1, 2007;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**Compiler's note:** In subsection (6)(a), the reference to the "Michigan early stage venture capital investment act of 2003" evidently should read "Michigan early stage venture investment act of 2003."

### **206.271 Recomputation of taxable income by excluding proportional gain or loss on disposition of property.**

Sec. 271. (1) A taxpayer subject to the tax levied by section 51 and whose income received after September 30, 1967 is increased or diminished by the disposition of property acquired before October 1, 1967, which is described in and subject to subchapter P of the internal revenue code, may elect to recompute taxable income by excluding therefrom the proportional gain or loss incurred before October 1, 1967. Taxpayers so electing shall be subject to a tax on taxable income thus recomputed at the rates imposed by this part. An election so made shall include all items of gains or losses realized during the taxable year.

(2) The proportion of gain or loss occurring after September 30, 1967, to total gain or loss is equal to the proportion the number of months after September 30, 1967, to date of disposition bears to the number of months from date of acquisition to date of disposition.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

### **206.272 Tax credit; amount equal to federal credit; refund.**

Sec. 272. (1) For the following tax years that begin after December 31, 2007, a taxpayer may credit against the tax imposed by this act an amount equal to the specified percentages of the credit the taxpayer is allowed to claim as a credit under section 32 of the internal revenue code for a tax year on a return filed under this act for the same tax year:

- (a) For tax years that begin after December 31, 2007 and before January 1, 2009, 10%.
- (b) For tax years that begin after December 31, 2008 and before January 1, 2012, 20%.
- (c) For tax years that begin after December 31, 2011, 6%.

(2) If the credit allowed by this section exceeds the tax liability of the taxpayer for the tax year, the state treasurer shall refund the excess to the taxpayer without interest, except as provided in section 30 of 1941 PA 122, MCL 205.30.

**History:** Add. 2006, Act 372, Imd. Eff. Sept. 22, 2006;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**Compiler's note:** Enacting section 1 of Act 469 of 2014 provides:

"Enacting section 1. This amendatory act does not take effect unless House Joint Resolution UU of the 97th Legislature becomes a part of the state constitution of 1963 as provided in section 1 of article XII of the state constitution of 1963."

House Joint Resolution UU was presented to the electors as Proposal 15-1 at the May 5, 2015 special election. The proposal to amend the constitution was not approved by the voters and Act 469 of 2014 does not go into effect.

### **206.273 Repealed. 2000, Act 499, Eff. Dec. 31, 2001.**

**Compiler's note:** The repealed section pertained to credit for prescription drugs.

### **206.274-206.276 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed sections pertained to tax credit claimed for student fees and tuition, certificate of stillbirth, and contributions to individual or family development account program.

### **206.278 Qualified investment in qualified business; tax credit; definitions.**

Sec. 278. (1) Subject to the limitations provided under this section, a taxpayer that makes a qualified

investment after December 31, 2010 and before January 1, 2012 in a qualified business may claim a credit against the tax imposed by this act equal to 25% of the qualified investment made during the tax year.

(2) To qualify for the credit under this section, the taxpayer shall request certification from the Michigan strategic fund within 60 days of making the investment. A taxpayer shall not claim a credit under this section unless the Michigan strategic fund has issued a certificate to the taxpayer. The board shall not approve a credit under this section for a taxpayer who has been convicted of a felony involving a fiduciary obligation or the conversion or misappropriation of funds or insurance accounts, theft, deceit, fraud, misrepresentation, or corruption. The Michigan strategic fund shall forward a copy of each certificate received pursuant to this subsection to the governor, the president of the Michigan strategic fund, the chairperson of the senate finance committee, the chairperson of the house tax policy committee, the director of the senate fiscal agency, and the director of the house fiscal agency. The requirements of section 28(1)(f) of 1941 PA 122, MCL 205.28, do not apply to the disclosure required by this subsection. The Michigan strategic fund shall not certify more than \$1,000,000.00 in qualified investments in any 1 qualified business. The taxpayer shall attach the certificate to the annual return filed under this act on which a credit under this section is claimed. The certificate required under this subsection shall specify all of the following:

(a) The total amount of investment made during the tax year by the taxpayer in each qualified business.

(b) The total amount of qualified investments made in each qualified business if different from the previous amount.

(c) The total amount of the credit under this section that the taxpayer is allowed to claim for the designated tax year.

(3) A taxpayer shall not claim a credit of more than \$250,000.00 based on an investment in any 1 qualified business and shall not claim a credit of more than \$250,000.00 for qualified investments in all qualified businesses in any 1 year. The credit allowed under this section shall be taken by the taxpayer in equal installments over 2 years beginning with the tax year in which the certification was issued.

(4) The total amount of credits that the Michigan strategic fund may certify under this section shall not exceed \$9,000,000.00.

(5) If the amount of the credit allowed under this section exceeds the tax liability of the taxpayer for the tax year, that portion of the credit that exceeds the tax liability of the taxpayer for the tax year shall not be refunded but may be carried forward to offset tax liability under this act in subsequent tax years for a period not to exceed 5 tax years or until used up, whichever occurs first.

(6) The board shall develop an application and approval process in order to certify investments under this section and adopt a program describing parameters and criteria to be used for approving investments. As part of that program adoption, the board may determine and describe the conditions to be met to be considered an investment alongside or through an approved angel group, seed capital firm, or venture capital firm.

(7) A taxpayer who has not paid or entered into an installment agreement regarding a final assessment of an unpaid liability for a state tax for which all rights of appeal have been exhausted or who is currently in a bankruptcy proceeding is not eligible to claim a credit under this section.

(8) As used in this section:

(a) "Board" means the board of directors of the Michigan strategic fund.

(b) "Michigan strategic fund" means the Michigan strategic fund as described in the Michigan strategic fund act, 1984 PA 270, MCL 125.2001 to 125.2094.

(c) "Qualified business" means a business that the board certifies as in compliance with all of the following at the time of the investment:

(i) The business is a seed or early stage business as defined in section 3 of the Michigan early stage venture investment act of 2003, 2003 PA 296, MCL 125.2233.

(ii) The business has its headquarters in this state, is domiciled in this state, and has a majority of its employees working in this state.

(iii) The business has a preinvestment valuation of less than \$10,000,000.00 and has fewer than 100 full-time equivalent employees.

(iv) Except as otherwise provided under this subparagraph, the business has been in existence less than 5 years; or, for a business in which the business activity is derived from research at an institution of higher education located within this state or an organization exempt from federal taxation under section 501(c)(3) of the internal revenue code and that is located within this state, the business has been in existence less than 10 years. As used in this subparagraph, a public or private college or university that awards a bachelor's degree or other degrees is an institution of higher education.

(v) The business is not a retail establishment as described in section 44-45 – retail trade, of the North American industry classification system, United States, 1997, published by the office of management and budget.

(vi) The business has not claimed a credit under section 431, 455, 457, or 459 of the Michigan business tax act, 2007 PA 36, MCL 208.1431, 208.1455, 208.1457, and 208.1459.

(d) "Qualified investment" means, except as otherwise provided under this subdivision, an investment of at least \$20,000.00 certified by the Michigan strategic fund that is made alongside of, or through, a seed venture capital or angel investor group that is registered with the Michigan strategic fund and is not in a business in which any member of the investor's family is an employee or owner of the business or in which the investor or any member of the investor's family has a preexisting fiduciary relationship with the business. Qualified investment does not include an investment in a business that engages in life sciences technology unless those activities are included in the definition of life sciences as that term is defined under section 88a of the Michigan strategic fund act, 1984 PA 270, MCL 125.2088a.

**History:** Add. 2010, Act 235, Imd. Eff. Dec. 14, 2010;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**Compiler's note:** Enacting section 1 of Act 235 of 2010 provides:

"Enacting section 1. This amendatory act shall be known as the "venture investment credit"."

## CHAPTER 6

### **206.301 Estimated tax; installment payments; due dates; amount; credit; payment of estimated annual tax instead of quarterly payments; filing and payment by farmer, fisherman, or seafarer; information submitted by bank or financial institution; computations; "taxable trust" defined.**

Sec. 301. (1) Every person on a calendar year basis, if the person's annual tax can reasonably be expected to exceed the amount withheld under section 351 and the credits allowed under this part by more than \$500.00, shall pay to the department installments of estimated tax under this part on or before April 15, June 15, and September 15 of the person's tax year and January 15 in the following year. Subject to subsection (3), each installment shall be equal to 1/4 the taxpayer's estimated tax under this part after first deducting the amount estimated to be withheld under section 351.

(2) For a taxpayer on other than a calendar year basis, there shall be substituted for the due dates provided in subsection (1) the appropriate due dates in the taxpayer's fiscal year that correspond to those in the calendar year.

(3) For a taxpayer that pays estimated tax for the taxpayer's first tax year of less than 12 months, the amount paid shall be that fraction of the estimated tax that is obtained by dividing the total amount of estimated tax by the number of payments to be made with respect to the tax year.

(4) There shall be allowed as a credit against the tax imposed by this part the amounts paid to the department pursuant to this section.

(5) Instead of quarterly payments, a person subject to this section may pay an estimated annual tax for the succeeding tax year. The payment shall be made at the same time the person files the annual return for the previous full tax year.

(6) A farmer or fisherman who elects to file and pay his or her federal income tax under an alternative schedule provided in section 6654 of the internal revenue code may file and pay the tax imposed by this part in the same manner. A seafarer may file and pay the tax imposed by this part in the same manner as a farmer or fisherman under this subsection. As used in this subsection, "seafarer" means an individual whose wages may not be withheld for taxes by the state or a political subdivision of the state as provided in section 11108 of title 46 of the United States code, 46 USC 11108.

(7) A bank or financial institution that submits quarterly estimated income tax payment information through the federal tax deposit system on magnetic tape and acts as fiduciary for 200 or more taxable trusts shall submit Michigan quarterly tax payment information on magnetic tape to the department.

(8) A bank or financial institution that acts as fiduciary for more than 49 and fewer than 200 taxable trusts may enter into an irrevocable agreement with the department to submit estimated income tax payment information on magnetic tape to the department.

(9) The payment of tax based on the information required under subsections (7) and (8) shall be made through a wire transfer to the state of Michigan contractual deposit account.

(10) A payment of estimated tax shall be computed on the basis of the annualized rate established under section 51 for the appropriate tax year to which the estimated tax payment is applicable.

(11) Except as provided in subsection (1), the amount of an estimated tax installment shall be computed, payment of estimated tax shall be credited, and a period of underpayment shall be determined in the same manner as provided in the internal revenue code.

(12) As used in this section, "taxable trust" means a trust required to make payments of estimated tax pursuant to subsection (1).

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1971, Act 25, Imd. Eff. May 13, 1971;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 1982, Act 515, Imd. Eff. Dec. 31, 1982;—Am. 1983, Act 15, Imd. Eff. Mar. 29, 1983;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1988, Act 70, Imd. Eff. Mar. 28, 1988;—Am. 1996, Act 484, Eff. Jan. 17, 1998;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**Compiler's note:** Section 2 of Act 15 of 1983 provides: "Because a severe economic recession has caused an actual deficit in state funds, the legislature finds that this amendatory act is necessary to, and it is the purpose of this amendatory act to, meet the actual deficiencies existing in state funds at the time of this enactment."

#### **206.302 Repealed. 1987, Act 254, Imd. Eff. Dec. 28, 1987.**

**Compiler's note:** The repealed section pertained to computation of estimated tax payments.

#### **206.311 Tax return; form; content; verification; transmittal; remittance; extension, computation, and remittance of estimated tax due; interest; penalties; tentative return; payment of estimated tax; joint return; effect of filing copy of federal extension; automatic extension based on service in combat zone.**

Sec. 311. (1) The taxpayer on or before the due date set for the filing of a return or the payment of the tax, except as otherwise provided in this part, shall make out a return in the form and content as prescribed by the department, verify the return, and transmit it, together with a remittance of the amount of the tax, to the department.

(2) Except as otherwise provided in subsection (5), the department, upon application of the taxpayer and for good cause shown, may extend under prescribed conditions the time for filing the annual or final return required by this part. Before the original due date, the taxpayer shall remit with an application for extension the estimated tax due. In computing the tax due for the tax year, interest at the rate established in, and penalties imposed by, section 23 of 1941 PA 122, MCL 205.23, shall be added to the amount of tax unpaid for the period of the extension. The department may require a tentative return and payment of an estimated tax.

(3) Taxpayers who are husband and wife and who file a joint federal income tax return pursuant to the internal revenue code shall file a joint return.

(4) Except as provided in subsection (5), if the taxpayer has been granted an extension or extensions of time within which to file a final federal return for a taxable year, the filing of a copy of the extension or extensions automatically extends the due date of the final return under this part for an equivalent period. The taxpayer shall remit with the copy of the extension or extensions the estimated tax due. In computing the tax due for the tax year, interest at the rate established in, and penalties imposed by, section 23 of 1941 PA 122, MCL 205.23, shall be added to the amount of tax unpaid for the period of the extension.

(5) If the taxpayer is eligible for an automatic extension of time within which to file a federal return based on service in a combat zone, the due date for filing an annual or final return or a return and payment of an estimated tax under this part is automatically extended for an equivalent period of time. The taxpayer is not required to file a copy of any federal extension, but shall print "COMBAT ZONE" in red ink at the top of his or her return when the return is filed. The taxpayer is not required to pay the amount of tax due at the time the return is originally due, and the department shall not impose any interest or penalties for the amount of tax unpaid for the period of the extension.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1975, Act 94, Imd. Eff. June 2, 1975;—Am. 1980, Act 169, Eff. Sept. 17, 1980;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 2004, Act 199, Imd. Eff. July 12, 2004;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.312 Electronic filing of farmland preservation tax credit claim with annual return.**

Sec. 312. Beginning with the 2016 tax year, a taxpayer may, regardless of the number of development rights agreements entered into pursuant to part 361 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36101 to 324.36117, electronically file a farmland preservation tax credit claim with the taxpayer's annual return under this part.

**History:** Add. 2016, Act 266, Imd. Eff. June 28, 2016.

#### **206.315 Tax return of person, other than corporation, whose adjusted gross income exceeds personal exemptions; due date; contents; composite income tax return.**

Sec. 315. (1) Every person, other than a corporation, required to make a return for any taxable period under the internal revenue code, except as otherwise specifically provided in this part, if his or her adjusted gross income is in excess of the personal exemptions allowed by this part shall render on or before the fifteenth day of the fourth month following the close of that taxable period to the department a return setting forth all of the following:

(a) The amount of adjusted gross income on the return made to the United States internal revenue service

for federal income tax purposes and as provided in the definitions contained in this part and the rules issued under this part.

(b) The personal and dependency exemptions as allowed by this part.

(c) The amount of tax due under this part, less credits claimed against the tax.

(d) Other information for the purposes of carrying out this part as may be prescribed by the department.

(e) The balance of the tax shown to be due on the return is due and shall be paid by the date fixed for filing the return unless the balance is less than \$1.00, in which event payment is not required.

(2) A nonresident member who has income in this state from 1 or more flow-through entities may elect to be included in the composite income tax return of a flow-through entity of which the nonresident member is a member.

(3) A flow-through entity may file a composite income tax return on behalf of electing nonresident members and report and pay the tax due based on the electing nonresident members' shares of income available for distribution from the flow-through entity for doing business in, or deriving income from, sources within this state.

(4) A nonresident member that has been included in a composite income tax return and also files an individual income tax return for the same taxable period may claim a credit against the tax imposed by this part on that individual income tax return for the amount of taxes paid on behalf of the nonresident member by the flow-through entity on that composite income tax return.

(5) A composite income tax return is due on or before each April 15 and shall report the information required by the department for the immediately preceding calendar year.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 2003, Act 49, Eff. Oct. 1, 2003;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.321 Repealed. 1975, Act 233, Imd. Eff. Aug. 27, 1975.**

**Compiler's note:** The repealed section pertained to tax returns of corporations and financial institutions.

#### **206.322 Whole dollar amounts; use.**

Sec. 322. Any person electing to use "whole dollar amounts" under the provisions of section 6102 of the internal revenue code may use "whole dollar amounts" in the same manner for the purposes of this part.

**History:** Add. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.325 Furnishing copy of federal tax return and supporting schedules; filing amended return showing final alteration, modification, recomputation, or determination of deficiency; assessment of increased tax resulting from federal audit; payment of additional tax; credit or refund of overpayment.**

Sec. 325. (1) A taxpayer required to file a return under this part may be required to furnish a true and correct copy of any tax return or portion of any tax return and supporting schedules that the taxpayer has filed under the provisions of the internal revenue code.

(2) A taxpayer shall file an amended return with the department showing any final alteration in, or modification of, the taxpayer's federal income tax return that affects the taxpayer's taxable income under this part and of any similarly related recomputation of tax or determination of deficiency under the internal revenue code. If an increase in taxable income results from a federal audit that increases the taxpayer's federal income tax by less than \$500.00, the requirement under this subsection to file an amended return does not apply but the department may assess an increase in tax resulting from the audit. The amended return shall be filed within 120 days after the final alteration, modification, recomputation, or determination of deficiency. If the department finds upon all the facts that an additional tax under this part is owing, the taxpayer shall immediately pay the additional tax. If the department finds that the taxpayer has overpaid the tax imposed by this part, a credit or refund of the overpayment shall immediately be made as provided in section 30 of 1941 PA 122, MCL 205.30.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.331 Filing or submitting information as to income paid to others; filing copies or alternate forms of federal tax return.**

Sec. 331. (1) At the request of the department, every person required by the internal revenue code to file or submit an information return of income paid to others shall, to the extent the information is applicable to residents of this state, at the same time file or submit the information in form and content as may be prescribed to the department.



(2) Every corporation, voluntary association, joint venture, partnership, estate or trust at the request of the department shall file a copy of any tax return or portion of any tax return which has been filed under the internal revenue code. The department may prescribe alternate forms of returns.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

**206.335-206.341 Repealed. 1975, Act 233, Imd. Eff. Aug. 27, 1975.**

**Compiler's note:** The repealed sections pertained to combined reports, to agreements improperly reflecting income, and to returns and payments based on distribution shares of business income.

CHAPTER 7

**206.351 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to deducting and withholding tax on compensation.

**206.352 Direct deposit of tax refund.**

Sec. 352. (1) For the 1997 tax year and each tax year after the 1997 tax year, a taxpayer who is due a refund determined under section 30 of Act No. 122 of the Public Acts of 1941, being section 205.30 of the Michigan Compiled Laws, may request a direct deposit of that refund to a financial institution of the taxpayer's choice that is located in the United States by completing a direct deposit form prescribed by the department and attaching the completed form to the taxpayer's annual return.

(2) The department shall comply with a request under this section unless the request is incomplete or defective in a manner that precludes the department from honoring the request. If the department does not honor the request, the department shall issue a warrant, as provided in Act No. 122 of the Public Acts of 1941, being sections 205.1 to 205.31 of the Michigan Compiled Laws, and at the same time provide the taxpayer with a written explanation including the specific reason for not honoring the taxpayer's request for direct deposit.

**History:** Add. 1996, Act 568, Eff. Mar. 31, 1997.

**206.355 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to employer, flow-through entity, casino licensee, or race meeting licensee subject to administration, collection, and enforcement provisions.

**206.355a Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to filing form 1099-MISC.

**206.361 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to withholding by governmental units and officers.

**206.365-206.367 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed sections pertained to withholding by governmental units; filing statement of compensation paid; withholding requirements for new jobs training programs; and tax credit for eligible production company.

CHAPTER 8

**206.401 Repealed. 1980, Act 169, Eff. Sept. 17, 1980.**

**Compiler's note:** The repealed section pertained to determination of tax, crediting or refunding excess payment, and penalty for deficiency.

**206.402 Administration of tax; conflicting provisions.**

Sec. 402. The tax imposed by this part shall be administered by the department in accordance with 1941 PA 122, MCL 205.1 to 205.31, and this part. In case of conflict between the provisions of 1941 PA 122, MCL 205.1 to 205.31, and this part, the provisions of this part shall prevail.

**History:** Add. 1980, Act 169, Eff. Sept. 17, 1980;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**206.405 Repealed. 1980, Act 169, Eff. Sept. 17, 1980.**

**Compiler's note:** The repealed section pertained to failure or refusal to file return, report, or statement.

**206.408 Records.**

Sec. 408. A person liable for any tax imposed under this part shall keep and maintain accurate records in a form as to make it possible to determine the tax due under this part.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1980, Act 169, Eff. Sept. 17, 1980;—

**206.411 Repealed. 1996, Act 484, Eff. Jan. 1, 1996.**

**Compiler's note:** The repealed section pertained to statute of limitations.

**206.421-206.431 Repealed. 1980, Act 169, Eff. Sept. 17, 1980.**

**Compiler's note:** The repealed sections pertained to notice of intent to levy tax, hearing, appeal, notices, collection of tax, jeopardy assessment, actions at law, and liens.

**206.435 Contribution designations; separate contributions schedule; cessation by department; insufficient refund to make contribution; appropriation; distribution and administration; additional contribution designations; considerations.**

Sec. 435. (1) Except as otherwise provided under this section, for the 2008 tax year and each tax year after the 2008 tax year, an individual may designate in a manner and form as prescribed by the department pursuant to subsection (2) on his or her annual return that contributions of \$5.00, \$10.00, or more of his or her refund be credited to any of the following:

(a) For the 2010 tax year and each tax year after the 2010 tax year, the Michigan higher education assistance authority created in section 1 of 1960 PA 77, MCL 390.951, for the children of veterans tuition grant program created in the children of veterans tuition grant act, 2005 PA 248, MCL 390.1341 to 390.1346. No money from the contributions designated to this subdivision shall be used for the purpose of administering this section.

(b) For the 2010 tax year and each tax year after the 2010 tax year, the children's trust fund created in 1982 PA 249, MCL 21.171 to 21.172.

(c) For the 2010 tax year and each tax year after the 2010 tax year, the military family relief fund created in section 3 of the military family relief fund act, 2004 PA 363, MCL 35.1213.

(d) The animal welfare fund created in the animal welfare fund act, 2007 PA 132, MCL 287.991 to 287.997.

(e) For the 2009 tax year and each tax year after the 2009 tax year, the United Way fund created in section 3 of the United Way fund act, 2008 PA 527, MCL 333.26533.

(f) For the 2012 tax year and each tax year after the 2012 tax year, the Special Olympics Michigan fund created in section 5 of the special Olympics Michigan fund act, 2012 PA 155, MCL 206.945.

(g) For the 2013 tax year and each tax year after the 2013 tax year, the ALS of Michigan ("Lou Gehrig's disease") fund created in section 3 of the ALS of Michigan ("Lou Gehrig's disease") fund act, 2013 PA 89, MCL 206.933.

(h) For the 2013 tax year and each tax year after the 2013 tax year, the Michigan Alzheimer's Association fund created in section 5 of the Michigan Alzheimer's association fund act, 2013 PA 88, MCL 206.965.

(i) For the 2016 tax year and each tax year after the 2016 tax year, the Michigan junior achievement fund created in section 5 of the Michigan junior achievement fund act.

(j) For the 2016 tax year and each tax year after the 2016 tax year, the American Red Cross Michigan fund created in section 5 of the American Red Cross Michigan fund act.

(2) Subject to the limitations provided under this subsection, the department shall establish and utilize a separate contributions schedule that incorporates each contribution designation authorized under this section that remains in effect and available for each tax year and shall revise the state individual income tax return form to include a separate line for the total contribution designations made under the separate contributions schedule. The contribution designations authorized under sections 437, 438, and 440 shall be incorporated into the contributions schedule for the 2010 tax year and shall remain on the schedule until the contribution designation expires by law or is otherwise no longer available as determined by the department pursuant to subsection (3). A contribution designation that is enacted after November 1, 2007 shall be incorporated as soon as practical on the contributions schedule, and each new contribution designation shall be listed on the schedule in alphabetical order. The separate contributions schedule required under this section shall include not more than 10 separate contribution designations in any single tax year.

(3) The department shall cease to include a contribution designation on the contributions schedule if that contribution designation fails to raise \$50,000.00 in any tax year for 2 consecutive tax years.

(4) If an individual's refund is not sufficient to make a contribution under this section, the individual may designate a contribution amount and that contribution amount shall be added to the individual's tax liability for the tax year.

(5) Notwithstanding any other allocations or disbursements required by this act, each year that a contribution designation under this section is in effect, an amount equal to the cumulative designation made under this section, less the amount appropriated to the department to implement this section, shall be

appropriated from the general fund and distributed to the department responsible for administering the appropriate fund to which the taxpayer designated his or her contribution and shall be used solely for the purposes of that fund.

(6) Money appropriated pursuant to an appropriations act as required by law in accordance with this section to the department responsible for administering each respective fund shall be in addition to any other allocation or appropriation and is intended to enhance appropriations from the general fund and not to replace or supplant those appropriations.

(7) Notwithstanding any other provision of law, all of the following apply:

(a) Money appropriated from the contributions made pursuant to this section shall be distributed as provided in each respective fund within 1 year and none of the money appropriated pursuant to this section shall be used for the purpose of administering the fund.

(b) If the fund to which the taxpayer designated his or her contributions is to be used for donations to multiple organizations located in this state, the department responsible for administering that fund shall designate 1 local representative or agency of that organization to administer and distribute those funds to other similar organizations in this state as provided in each respective act that created the fund.

(8) When considering whether to grant legislative approval to amend the state individual income tax return to include additional contribution designations on the contributions schedule, the legislature shall consider all of the following:

(a) Whether the organization serves multiple regions throughout this state.

(b) Whether the organization has demonstrated that it is capable of raising more than \$50,000.00 in this state during the tax year through means other than the income tax contribution designation.

(c) Whether the organization expends 30% or more of its money to cover administrative and fund-raising costs.

(d) Whether the organization had previously been included on the contributions schedule within the last immediately preceding 3 years and was removed because it failed to raise a sufficient amount of money as prescribed under subsection (3).

(e) Whether the organization receives any other state funds or other type of financial assistance from this state.

(f) Whether the organization is associated with a nonprofit charitable organization.

**History:** Add. 2007, Act 133, Imd. Eff. Nov. 1, 2007;—Am. 2008, Act 143, Imd. Eff. May 28, 2008;—Am. 2008, Act 162, Imd. Eff. June 16, 2008;—Am. 2008, Act 322, Imd. Eff. Dec. 18, 2008;—Am. 2008, Act 526, Imd. Eff. Jan. 13, 2009;—Am. 2008, Act 558, Imd. Eff. Jan. 16, 2009;—Am. 2008, Act 560, Imd. Eff. Jan. 16, 2009;—Am. 2010, Act 346, Imd. Eff. Dec. 21, 2010;—Am. 2012, Act 151, Imd. Eff. May 30, 2012;—Am. 2012, Act 154, Imd. Eff. June 5, 2012;—Am. 2013, Act 90, Imd. Eff. June 28, 2013;—Am. 2013, Act 92, Imd. Eff. June 28, 2013;—Am. 2016, Act 182, Imd. Eff. June 16, 2016;—Am. 2016, Act 184, Imd. Eff. June 16, 2016.

#### **206.437 Children of veterans tuition grant program; contribution designation.**

Sec. 437. (1) For the 2006 tax year and each tax year after the 2006 tax year, an individual may designate on his or her annual return that a contribution of \$2.00 or more of his or her refund be credited to the Michigan higher education assistance authority created in section 1 of 1960 PA 77, MCL 390.951, for the children of veterans tuition grant program created in the children of veterans tuition grant act, 2005 PA 248, MCL 390.1341 to 390.1346. Notwithstanding any other provision in this section or section 475, for the 2010 tax year and each tax year after the 2010 tax year, the contribution designation authorized under this section shall be offered and administered in accordance with section 435. If an individual's refund is not sufficient to make a contribution under this section, the individual may designate a contribution amount and that contribution amount shall be added to the individual's tax liability for the tax year.

(2) The tax designation authorized in this section shall be clearly and unambiguously printed on the first page of the state individual income tax return forms, if practical. Effective January 1, 2010, the contribution designation authorized in this section is no longer required to be printed on the first page of the state individual income tax return but shall be incorporated into the contributions schedule created by the department pursuant to section 435 and shall remain on the schedule until the contribution designation expires or is otherwise no longer available.

(3) Notwithstanding any other allocations or disbursements required by this act, each year that the contribution designation under this section is in effect, an amount equal to the cumulative contributions made under this section shall be appropriated from the general fund to the children of veterans tuition grant program of the Michigan higher education assistance authority, and the funds shall be distributed for programs allowed under the children of veterans tuition grant act, 2005 PA 248, MCL 390.1341 to 390.1346. No money from the contributions made pursuant to this section shall be used for the purpose of administering this section.

**History:** Add. 2005, Act 249, Imd. Eff. Dec. 1, 2005;—Am. 2007, Act 133, Imd. Eff. Nov. 1, 2007.

#### **206.438 Designation of contribution to the military family relief fund.**

Sec. 438. (1) For tax years that begin after December 31, 2003, a taxpayer may designate on his or her annual return that a contribution of \$1.00 or more of his or her refund be credited to the military family relief fund created in section 3 of the military family relief fund act, 2004 PA 363, MCL 35.1213. Notwithstanding any other provision in this section, for the tax years beginning on and after January 1, 2010, the contribution designation authorized under this section shall be offered and administered in accordance with section 435.

(2) If a taxpayer's refund is not sufficient to make a contribution under this section, the taxpayer may designate that the amount designated be added to the taxpayer's tax liability for the tax year.

(3) The contribution designation authorized in this section shall be clearly and unambiguously printed on the first page of all state individual income tax return forms, if practicable. Effective January 1, 2010, the contribution designation authorized in this section is no longer required to be printed on the first page of the state individual income tax return but shall be incorporated into the contributions schedule created by the department pursuant to section 435 and shall remain on the schedule until the contribution designation expires or is otherwise no longer available.

(4) Notwithstanding the other allocations and disbursements required by this act, and each year that the contribution designation is in effect, an amount equal to the cumulative designations made under this section, less the amount appropriated to the department of treasury for the purpose of implementing this section, shall be appropriated from the general fund and distributed each fiscal year to the department of military and veterans affairs to be used as follows:

(a) Twenty percent to the post fund and posthumous fund of the Michigan soldiers' home to be used as provided in 1905 PA 313, MCL 36.61.

(b) Eighty percent to the military family relief fund created in the military family relief fund act, 2004 PA 363, MCL 35.1211 to 35.1216.

(5) Money appropriated pursuant to this section to the department of military and veterans affairs shall be in addition to any allocations and appropriations and is intended to enhance appropriations from the general fund and not to replace or supplant those appropriations.

**History:** Add. 2004, Act 364, Imd. Eff. Oct. 6, 2004;—Am. 2008, Act 151, Imd. Eff. June 5, 2008.

#### **206.439 Designating portion of tax refund credited to Michigan nongame fish and wildlife trust fund; printing contribution designation on income tax return form; disposition of amount equal to cumulative designations.**

Sec. 439. (1) Until the state treasurer certifies that the assets in the nongame fish and wildlife trust fund created in the nongame fish and wildlife trust fund act exceed \$6,000,000.00, a taxpayer may designate on his or her annual return that a contribution of \$2.00 or more of his or her refund be credited to the state of Michigan nongame fish and wildlife trust fund created in part 439 (nongame fish and wildlife trust fund) of the natural resources and environmental protection act, Act No. 451 of the Public Acts of 1994, being sections 324.43901 to 324.43907 of the Michigan Compiled Laws. If a taxpayer's refund is not sufficient to make a contribution under this section, the taxpayer may designate a contribution amount and that contribution amount shall be added to the taxpayer's tax liability for the tax year.

(2) The contribution designation authorized in this section shall be clearly and unambiguously printed on the first page of all state individual income tax return forms, if practicable.

(3) Notwithstanding the other allocations and disbursements required by this act, an amount equal to the cumulative designations made under this section, less the amount appropriated to the department of treasury for the purpose of implementing this section, shall be deposited in the state of Michigan nongame fish and wildlife trust fund and shall be appropriated solely for the purposes of the fund.

**History:** Add. 1983, Act 189, Imd. Eff. Nov. 1, 1983;—Am. 1985, Act 145, Imd. Eff. Nov. 7, 1985;—Am. 1986, Act 286, Eff. Jan. 22, 1987;—Am. 1993, Act 162, Imd. Eff. Sept. 16, 1993;—Am. 1996, Act 55, Imd. Eff. Feb. 26, 1996;—Am. 1996, Act 484, Eff. Jan. 1, 1996.

**Compiler's note:** Subsection (1) of Section 3 of Act 484 provides:

"Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996."

#### **206.440 Children's trust fund; contribution designation.**

Sec. 440. (1) Effective for the tax year beginning January 1, 1982 and before January 1, 2005, an individual may designate on his or her annual return that a contribution of \$2.00 or more of his or her refund and for tax years beginning on and after January 1, 2005, an individual may designate on his or her annual return that a contribution of \$5.00 or more of his or her refund be credited to the children's trust fund created in 1982 PA 249, MCL 21.171 to 21.172. Notwithstanding any other provision in this section, for the tax years

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beginning on and after January 1, 2010, the contribution designation authorized under this section shall be offered and administered in accordance with section 435. If a taxpayer's refund is not sufficient to make a contribution under this section, the taxpayer may designate a contribution amount and that contribution amount shall be added to the taxpayer's tax liability for the tax year.

(2) The contribution designation authorized in this section shall be clearly and unambiguously printed on the first page of the state individual income tax return. Effective January 1, 2010, the contribution designation authorized under this section is no longer required to be printed on the first page of the state individual income tax return but shall be incorporated into the contributions schedule created by the department pursuant to section 435 and shall remain on the schedule until the contribution designation expires or is otherwise no longer available.

**History:** Add. 1982, Act 211, Eff. Sept. 29, 1982;—Am. 1985, Act 156, Imd. Eff. Nov. 15, 1985;—Am. 1996, Act 484, Eff. Jan. 1, 1996;—Am. 2005, Act 160, Imd. Eff. Oct. 3, 2005;—Am. 2007, Act 133, Imd. Eff. Nov. 1, 2007.

**Compiler's note:** Subsection (1) of Section 3 of Act 484 provides:

"Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996."

#### **206.441 Repealed. 1990, Act 285, Eff. Dec. 21, 1990;—1990, Act 344, Imd. Eff. Dec. 21, 1990.**

**Compiler's note:** The repealed section pertained to credit or refund of taxes or penalties.

#### **206.442 Repealed. 1974, Act 308, Eff. Apr. 1, 1975.**

**Compiler's note:** The repealed section pertained to failure or refusal to make refund.

#### **206.451 Certificate of dissolution or withdrawal until taxes paid; payment of taxes as condition to closing of estate.**

Sec. 451. (1) A domestic corporation, a foreign corporation, or other business entity authorized to transact business in this state that submits a certificate of dissolution or requests a certificate of withdrawal from this state shall request a certificate from the department stating that taxes are not due under section 27a of 1941 PA 122, MCL 205.27a, not more than 60 days after submitting the certificate of dissolution or requesting the certificate of withdrawal. A corporation or other business entity that does not request a certificate stating that taxes are not due is subject to the same penalties under section 24 of 1941 PA 122, MCL 205.24, that a taxpayer would be subject to for failure to file a return.

(2) An estate of a person subject to tax under this part shall not be closed without the payment of the tax levied by this part, both in respect to the liability of the estate and decedent prior to his or her death.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 2002, Act 581, Imd. Eff. Oct. 14, 2002;—Am. 2003, Act 46, Eff. Oct. 1, 2003;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.455 Records, books, and accounts; examination; violation; penalties.**

Sec. 455. Every person shall keep such records, books and accounts as may be necessary to determine the amount of tax for which it is liable under the provisions of this part and as the department may require for a period of 6 years. The records, books and accounts shall be open for examination at any time during regular business hours of the taxpayer by the department and its agents. Any person who violates any provision of this section is guilty of a misdemeanor and shall be fined not more than \$1,000.00 or imprisoned not more than 1 year in the county jail, or both.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

#### **206.461-206.466 Repealed. 1980, Act 169, Eff. Sept. 17, 1980.**

**Compiler's note:** The repealed sections pertained to offenses, penalties, enforcement, and confidentiality.

#### **206.471 Administration of tax by department; forms; rules; printing summary of state expenditures and revenues in instruction booklet; space on tax return for school district; information to be provided in instruction booklet about purchase of annual state park motor vehicle permit; listing of credit and deduction; posting of list on website.**

Sec. 471. (1) The tax imposed by this part shall be administered by the department. The department shall prescribe forms for use by taxpayers and may promulgate rules for all of the following:

(a) The maintenance by taxpayers of records, books, and accounts.

(b) The computation of the tax.

(c) The manner and time of changing or electing accounting methods and of exercising the accounting method options contained in this part.

(d) The making of returns, the payment of tax due, and the ascertainment, assessment, and collection of the



tax.

(2) The rules shall follow the rulings of the United States internal revenue service with respect to the federal income tax if those rulings are not inconsistent with this part, and the department may adopt as a part of the rules any portions of the internal revenue code or rulings, in whole or in part.

(3) A summary of state expenditures and revenues by major category, in dollar amounts and percentage of total, for the most recent state fiscal year that the information is available, shall be printed in the instruction booklet accompanying each state income tax return.

(4) Each state income tax return shall contain a space for the taxpayer to indicate the school district in which the taxpayer resides.

(5) The department may provide information in the instruction booklet about the purchase of an annual state park motor vehicle permit pursuant to part 741 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.74101 to 324.74125.

(6) In the instruction booklet that accompanies the annual return required under this part, the department shall provide a clear and concise listing of each credit and each deduction allowed under this part and a reference to a detailed explanation.

(7) The department shall post the list described in subsection (6) on the department's official website.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1977, Act 163, Eff. Mar. 30, 1978;—Am. 1991, Act 82, Imd. Eff. July 18, 1991;—Am. 1994, Act 119, Eff. Mar. 30, 1995;—Am. 1996, Act 55, Imd. Eff. Feb. 26, 1996;—Am. 1996, Act 484, Eff. Jan. 1, 1996;—Am. 2002, Act 486, Imd. Eff. June 27, 2002;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**Compiler's note:** Subsection (1) of Section 3 of Act 484 provides:

“Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996.”

**Administrative rules:** R 206.1 et seq. of the Michigan Administrative Code.

#### **206.472 Personal income and property tax credit forms and instructions; submission of drafts with explanations of changes.**

Sec. 472. Before final printing the department shall submit the draft of the proposed personal income tax forms and instructions and the proposed property tax credit forms and instructions together with explanations of any and all changes from the prior forms and instructions to the house taxation and senate finance committees.

**History:** Add. 1977, Act 1, Imd. Eff. Feb. 23, 1977.

#### **206.473 Direct deposit of tax refund; form.**

Sec. 473. The department shall develop and make available a direct deposit form prescribed by the department to provide for the direct deposit of a refund due to a taxpayer.

**History:** Add. 1996, Act 568, Eff. Mar. 31, 1997.

#### **206.475 Tax imposed additional to other taxes; disposition of proceeds; allocation and distribution; contribution designation program; appropriation; children's trust fund.**

Sec. 475. (1) The tax imposed by this part is in addition to all other taxes for which the taxpayer is liable and the proceeds derived from the tax shall be credited to the general fund to be allocated and distributed as provided in this part.

(2) Each year that the contribution designation program established in section 440 is in effect, an amount equal to the cumulative designations made under section 440 less the annual amount appropriated to the department of treasury for the purpose of administering the children's trust fund and implementing section 440, shall be appropriated from the general fund to the children's trust fund in the department of treasury for use solely in support of the purposes provided in the act that created the children's trust fund.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1982, Act 211, Eff. Sept. 29, 1982;—Am. 1991, Act 82, Imd. Eff. July 18, 1991;—Am. 1996, Act 484, Eff. Jan. 1, 1996;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**Compiler's note:** Section 475 of Act 250 of 1978, purporting to amend this section, was submitted to and disapproved by the people as part of Proposal E at the general election held on November 4, 1980.

Subsection (1) of Section 3 of Act 484 provides:

“Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996.”

#### **206.481 Repealed. 1996, Act 342, Eff. Oct. 1, 1996.**

**Compiler's note:** The repealed section pertained to remittances by state disbursing authority to cities, villages, townships, and counties.

#### **206.482 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

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**Compiler's note:** The repealed section pertained to amounts distributed to local governments.

**206.483 Repealed. 2002, Act 225, Imd. Eff. Apr. 29, 2002.**

**Compiler's note:** The repealed section pertained to deposit in federal facility development fund.

**206.491-206.495 Repealed. 1980, Act 169, Eff. Sept. 17, 1980.**

**Compiler's note:** The repealed sections pertained to computation of taxes and exclusion of business activities tax and income.

**206.496 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to appropriation to department in 1982-1983 fiscal year.

**206.497 Repealed. 1980, Act 169, Eff. Sept. 17, 1980.**

**Compiler's note:** The repealed section pertained to business activities tax repeal.

**206.498, 206.499 Repealed. 2011, Act 38, Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed sections pertained to declarations in act and effective date.

CHAPTER 9

**206.501 Applicability of definitions.**

Sec. 501. The definitions contained in sections 504 to 516 shall control only in the interpretation of this chapter, unless the context clearly requires otherwise.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973.

**206.504 "Blind" and "claimant" defined.**

Sec. 504. (1) "Blind" means a person with a permanent impairment of both eyes of the following status: central visual acuity of 20/200 or less in the better eye, with corrective glasses, or central visual acuity of more than 20/200 if there is a field defect in which the peripheral field has contracted to such an extent that the widest diameter of visual field subtends an angular distance of not greater than 20 degrees in the better eye.

(2) "Claimant" means an individual natural person who filed a claim under this chapter and who was domiciled in this state during at least 6 months of the calendar year immediately preceding the year in which the claim is filed under this chapter and includes a husband and wife if they are required to file a joint state income tax return. The 6-month residency requirement does not apply to a claimant who files for the home heating credit under section 527a.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1978, Act 458, Imd. Eff. Oct. 16, 1978;—Am. 1979, Act 126, Imd. Eff. Oct. 23, 1979;—Am. 1993, Act 328, Eff. Apr. 1, 1994.

**206.506 "Eligible serviceperson," "eligible veteran," and "eligible widow or widower" defined.**

Sec. 506. "Eligible serviceperson", "eligible veteran", and "eligible widow or widower" means a serviceperson, veteran, or widow or widower, whose income as defined in this chapter is not more than \$7,500.00 per year unless the serviceperson, veteran, or widow or widower receives compensation paid by the veterans administration or the armed forces of the United States for service incurred disabilities and who meets the requirements of the following schedule:

War	Person	Service in War	Disability %	Taxable Value Allowance
Indian Civil Spanish-American Mexican	Veteran or veteran's widow or widower	3 months, or 1 day with discharge for service-connected disability	No requirement	\$3,500.00
World War I World War II Korean	Widow or widower of nondisabled or nonpensioned veteran	3 months, or 1 day with discharge for service-connected	No requirement	\$2,500.00

		disability			
All wars or presidential executive order or presidential proclamation	Pensioned veteran or veteran's widow or widower	Any	No requirement	\$3,500.00	
All wars or presidential executive order or presidential proclamation	Veteran with service-connected disability or veteran's widow or widower	Any	10-50	\$3,500.00	
All wars or presidential executive order or presidential proclamation	Veteran with service-connected disability or veteran's widow or widower	Any	60-70-80	\$4,000.00	
All wars or presidential executive order or presidential proclamation	Veteran with service-connected disability or veteran's widow or widower	Any	90-100	\$4,500.00	
All wars or presidential executive order or presidential proclamation	Widow or widower of veteran dying in service	Any	No requirement	\$4,500.00	
Current service	Serviceperson or serviceperson's widow or widower	Any	No requirement	\$3,500.00	

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1996, Act 484, Eff. Jan. 1, 1996.

**Compiler's note:** Subsection (1) of Section 3 of Act 484 provides:

“Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996.”

## **206.507 “Federally aided housing” and “state aided housing” defined.**

Sec. 507. (1) “Federally aided housing” means housing developed under a program administered by the secretary of the United States department of housing and urban development providing below market interest rate mortgages, interest reduction payments, rent supplements, annual contributions of housing assistance payments, or housing allowances or housing receiving special benefits under federal law designated specifically to develop low and moderate income housing.

(2) “State aided housing” is housing financed by a loan secured by a mortgage or security interest made by the Michigan state housing development authority for the construction, rehabilitation, or long-term financing of housing for low or moderate income persons.

**History:** Add. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

## **206.508 Definitions.**

Sec. 508. (1) "Gross rent" means the total rent contracted to be paid by the renter or lessee of a homestead pursuant to dealing at arms' length with the landlord of the homestead. When the landlord and tenant have not dealt with each other at arms' length and the department believes that the gross rent charged is excessive, the

department may adjust the gross rent to a reasonable amount for the purposes of this chapter.

(2) "Homestead" means a dwelling or unit in a multiple-unit dwelling that is subject to ad valorem taxes, or a service charge in lieu of taxes as provided by section 15a of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1415a, owned and occupied as a home by the owner of the dwelling or unit, or occupied as the dwelling of the renter or lessee, including all unoccupied real property not classified for ad valorem tax purposes as commercial, industrial, residential, or timber-cut over, owned by the owner of the homestead. Beginning in the 1990 tax year, a homestead does not include unoccupied real property that is leased or rented by the owner to another person and that is not adjacent and contiguous to the home of the owner. Additionally, the following apply:

(a) If a homestead is an integral part of a larger unit of assessment such as commercial, industrial, residential, timber-cut over, or a multipurpose or multidwelling building, the tax on the homestead shall be the same proportion of the total property tax as the proportion of the value of the homestead is to the total value of the assessed property.

(b) If the gross receipts of the agricultural or horticultural operations do not exceed the household income, or if there are no gross receipts, the following apply:

(i) If the claimant has lived on the land 10 years or more, all of the adjacent and contiguous agricultural or horticultural lands shall be considered a homestead and the credit is allowed for all the land.

(ii) If the claimant has lived on the land less than 10 years, not more than 5 acres of adjacent and contiguous agricultural or horticultural land shall be considered a part of the homestead and the credit is allowed for that part of the land.

(c) A mobile home or trailer coach in a trailer coach park is a homestead and the site rent for space is considered the rent of a homestead. The specific tax levied by section 41 of 1959 PA 243, MCL 125.1041, is considered a property tax.

(3) "Household" means a claimant and spouse.

(4) "Total household resources" means all income received by all persons of a household in a tax year while members of a household, increased by the following deductions from federal gross income:

(a) Any net business loss after netting all business income and loss.

(b) Any net rental or royalty loss.

(c) Any carryback or carryforward of a net operating loss as defined in section 172(b)(2) of the internal revenue code.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 1990, Act 283, Imd. Eff. Dec. 14, 1990;—Am. 2011, Act 38, Eff. Jan. 1, 2012;—Am. 2011, Act 177, Eff. Jan. 1, 2012.

## **206.510 "Income" and "owner" defined.**

Sec. 510. (1) "Income" means the sum of federal adjusted gross income as defined in the internal revenue code plus all income specifically excluded or exempt from the computations of the federal adjusted gross income. Also, a person who is enrolled in an accident or health insurance plan may deduct from income the amount that person paid in premiums in the tax year for that insurance plan for the person's family. Income does not include any of the following:

(a) The first \$300.00 of gifts in cash or kind from nongovernmental sources.

(b) The first \$300.00 received from awards, prizes, lottery, bingo, or other gambling winnings.

(c) Surplus foods.

(d) Relief in kind supplied by a governmental agency.

(e) Payments or credits under this part.

(f) A governmental grant that has to be used by the claimant for rehabilitation of the claimant's homestead.

(g) Stipends received by a person 60 years of age or older who is acting as a foster grandparent under the foster grandparent program authorized pursuant to section 211 of part B of title II of the domestic volunteer service act of 1973, Public Law 93-113, 42 USC 5011, or who is acting as a senior companion pursuant to section 213 of part C of title II of the domestic volunteer service act of 1973, Public Law 93-113, 42 USC 5013.

(h) Amounts deducted from monthly social security or railroad retirement benefits for medicare premiums.

(i) Contributions by an employer to life, accident, or health insurance plans.

(j) Energy assistance grants and energy assistance tax credits.

(2) "Owner" means a natural person who owns or is purchasing a homestead under a mortgage or land contract, who owns or is purchasing a dwelling situated on the leased lands of another, or who is a tenant-stockholder of a cooperative housing corporation.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1977, Act 1, Imd. Eff. Feb 23, 1977;—Am. 1978, Act 43, Imd. Eff. Mar. 7, 1978;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1988, Act 261, Imd. Eff. July 15, 1988;—Am. 1995, Act 244, Imd. Eff. Rendered Tuesday, January 24, 2017

Dec. 27, 1995;—Am. 1995, Act 245, Imd. Eff. Dec. 27, 1995;—Am. 2011, Act 38, Eff. Jan. 1, 2012;—Am. 2011, Act 172, Eff. Jan. 1, 2012.

**Compiler's note:** Section 2 of Act 43 of 1978 provides: "This amendatory act shall take effect for all tax years beginning January 1, 1977, and thereafter."

Section 2 of Act 261 of 1988 provides: "This amendatory act is effective for a tax year that begins after December 31, 1986."

## **206.512 Definitions; P to R.**

Sec. 512. (1) "Paraplegic, hemiplegic, or quadriplegic" means an individual, or either 1 of 2 persons filing a joint tax return under this part, who is a paraplegic, hemiplegic, or quadriplegic at the end of the tax year.

(2) "Property taxes" means, for tax years before the 2003 tax year, general ad valorem taxes due and payable, levied on a homestead within this state including property tax administration fees, but does not include penalties, interest, or special assessments unless assessed in the entire city, village, or township, levied using a uniform millage rate on all real property not exempt by state law from the levy of the special assessment, and levied and based on state equalized valuation or taxable value.

(3) "Qualified person" means a claimant and any person, domiciled in Michigan, who can be claimed as a dependent under the internal revenue code and who does not file a claim under this part for the same tax year. The term does not include the additional exemptions allowed for age or blindness.

(4) "Renter" means a person who rents or leases a homestead.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1974, Act 12, Imd. Eff. Feb. 15, 1974;—Am. 1974, Act 125, Imd. Eff. May 25, 1974;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1995, Act 245, Imd. Eff. Dec. 27, 1995;—Am. 1996, Act 484, Eff. Jan. 1, 1996;—Am. 2003, Act 29, Imd. Eff. June 26, 2003;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

**Compiler's note:** Act 253 of 1980, purporting to amend MCL 206.30, 206.512, 206.520, and 206.522 and to add a MCL 206.261 could not take effect until Senate Joint Resolution X became effective as part of the constitution. Senate Joint Resolution X was submitted to and disapproved by the people at the general election held on November 4, 1980.

Subsection (1) of Section 3 of Act 484 provides:

"Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996."

### **206.512a "Property taxes" defined.**

Sec. 512a. "Property taxes" means, for the 2003 tax year and tax years after the 2003 tax year, general ad valorem taxes due and payable, levied on a homestead within this state including property tax administration fees, but does not include penalties, interest, or special assessments unless the special assessment is levied using a uniform millage rate on all real property not exempt by state law from the levy of the special assessment and complies with 1 of the following:

(a) The special assessment is levied in the entire city, village, or township and is levied and based on state equalized valuation or taxable value.

(b) The special assessment is for police, fire, or advanced life support, is levied in the entire township excluding all or a portion of a village within the township, and is levied and based on state equalized valuation or taxable value.

**History:** Add. 2003, Act 28, Imd. Eff. June 26, 2003.

### **206.514 "Senior citizen," "serviceperson," and "state income tax" defined.**

Sec. 514. (1) "Senior citizen" means an individual, or either 1 of 2 persons filing a joint tax return under this part, who is 65 years of age or older at the close of the tax year. The term also includes the unmarried surviving spouse of a person who was 65 years of age or older at the time of death.

(2) "Serviceperson" means a person who is currently serving in the armed forces of the United States or is separated from the armed forces for less than a year, and who was a resident of this state at least 6 months prior to the time of entering the armed forces or was a resident of this state at least 5 years prior to filing a claim under this chapter.

(3) "State income tax" or "state income tax act" means the tax levied by this part.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1974, Act 156, Imd. Eff. June 20, 1974;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

### **206.516 "Veteran" and "widow or widower" defined.**

Sec. 516. (1) "Veteran" means an individual who meets all of the following:

(a) Is a veteran as defined in section 1 of 1965 PA 90, MCL 35.61.

(b) Was a resident of this state at least 6 months prior to the time of entering the armed forces of the United States or was a resident of this state for at least 5 years prior to filing a claim under this chapter.

(c) Served in the armed forces during a period of war as described in 38 CFR 3.2, except that for purposes of this subdivision, "period of war" for the Vietnam era means the following:



- (i) February 28, 1961 through May 7, 1975 for a veteran who served during that period.
- (ii) On or after January 31, 1955 in an area of hazardous duty for which the veteran received an armed forces expeditionary medal or Vietnam service medal.
- (d) Was discharged from service in the armed forces of the United States under honorable conditions or died while in service not as a result of his or her own misconduct.
- (2) "Widow or widower" means the unmarried surviving spouse of a veteran or serviceperson who receives a widow's or widower's pension from the United States Department of Veterans Affairs. Widow or widower includes the unremarried surviving spouse of the person who previously qualified as a claimant.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 2016, Act 212, Eff. Sept. 20, 2016.

**206.520 Credit for property taxes on homestead; credit for person renting or leasing homestead; credit in excess of tax liability due; assignment of claim to mortgagor by senior citizen for rent reduction; eligibility to claim credit on property rented or leased as credit for person receiving aid to families with dependent children, state family assistance, or state disability assistance payments; reduction of credit for claimant whose household income exceeds certain amount; adjustment; credit claimable by senior citizen; limitations; rules; form; determining qualification to claim credit after move to different rented or leased homestead; reduction of claim for return of less than 12 months; total credit allowed by section and MCL 206.522; "United States consumer price index" defined.**

Sec. 520. (1) Subject to the limitations and the definitions in this chapter, a claimant may claim against the tax due under this part for the tax year a credit for the property taxes on the taxpayer's homestead deductible for federal income tax purposes pursuant to section 164 of the internal revenue code, or that would have been deductible if the claimant had not elected the zero bracket amount or if the claimant had been subject to the federal income tax. The property taxes used for the credit computation shall not be greater than the amount levied for 1 tax year. An owner is not eligible for a credit under this section if the taxable value of his or her homestead excluding the portion of a parcel of real property that is unoccupied and classified as agricultural for ad valorem tax purposes in the year for which the credit is claimed is greater than \$135,000.00 through the 2021 tax year. Beginning with the 2021 tax year and each tax year after 2021, the taxable value cap under this subsection for the immediately preceding tax year shall be adjusted by the percentage increase in the United States consumer price index for the immediately preceding calendar year and rounded to the nearest \$100.00 increment. The department shall annualize the amount in this subsection as necessary. As used in this subsection, "taxable value" means that value determined under section 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

(2) A person who rents or leases a homestead may claim a similar credit computed under this section and section 522 based upon 20% of the gross rent paid for tax years before the 2018 tax year or 23% of the gross rent paid for tax years after the 2017 tax year. A person who rents or leases a homestead subject to a service charge in lieu of ad valorem taxes as provided by section 15a of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1415a, may claim a similar credit computed under this section and section 522 based upon 10% of the gross rent paid.

(3) If the credit claimed under this section and section 522 exceeds the tax liability for the tax year or if there is no tax liability for the tax year, the amount of the claim not used as an offset against the tax liability shall, after examination and review, be approved for payment, without interest, to the claimant. In determining the amount of the payment under this subsection, withholdings and other credits shall be used first to offset any tax liabilities.

(4) If the homestead is an integral part of a multipurpose or multidwelling building that is federally aided housing or state aided housing, a claimant who is a senior citizen entitled to a payment under subsection (2) may assign the right to that payment to a mortgagor if the mortgagor reduces the rent charged and collected on the claimant's homestead in an amount equal to the tax credit payment provided in this chapter. The assignment of the claim is valid only if the Michigan state housing development authority, by affidavit, verifies that the claimant's rent has been so reduced.

(5) Only the renter or lessee shall claim a credit on property that is rented or leased as a homestead.

(6) A person who discriminates in the charging or collection of rent on a homestead by increasing the rent charged or collected because the renter or lessee claims and receives a credit or payment under this chapter is guilty of a misdemeanor. Discrimination against a renter who claims and receives the credit under this section and section 522 by a reduction of the rent on the homestead of a person who does not claim and receive the credit is a misdemeanor. If discriminatory rents are charged or collected, each charge or collection of the

higher or lower payment is a separate offense. Each acceptance of a payment of rent is a separate offense.

(7) A person who received aid to families with dependent children, state family assistance, or state disability assistance pursuant to the social welfare act, 1939 PA 280, MCL 400.1 to 400.119b, in the tax year for which the person is filing a return shall have a credit that is authorized and computed under this section and section 522 reduced by an amount equal to the product of the claimant's credit multiplied by the quotient of the sum of the claimant's aid to families with dependent children, state family assistance, and state disability assistance for the tax year divided by the claimant's total household resources. The reduction of credit shall not exceed the sum of the aid to families with dependent children, state family assistance, and state disability assistance for the tax year. For the purposes of this subsection, aid to families with dependent children does not include child support payments that offset or reduce payments made to the claimant.

(8) For tax years before the 2018 tax year, a credit under subsection (1) or (2) shall be reduced by 10% for each claimant whose total household resources exceed the minimum total household resources amount of \$41,000.00 and by an additional 10% for each increment of \$1,000.00 of total household resources in excess of \$41,000.00. Except as otherwise provided under this subsection, for the 2018 tax year and each tax year after 2018, the minimum total household resources amount is \$51,000.00. For the 2018 tax year and each tax year after 2018, a credit under subsection (1) or (2) shall be reduced by 10% for each claimant whose total household resources exceed the minimum total household resources amount established under this subsection and by an additional 10% for each increment of \$1,000.00 of total household resources in excess of the minimum total household resources amount for that tax year. For the 2021 tax year and each tax year after 2021, the minimum total household resources threshold amount established under this subsection for the immediately preceding tax year shall be adjusted by the percentage increase in the United States consumer price index for the immediately preceding calendar year and rounded to the nearest \$100.00 increment.

(9) If the credit authorized and calculated under this section and section 522 and adjusted under subsection (7) or (8) does not provide to a senior citizen who rents or leases a homestead that amount attributable to rent that constitutes more than 40% of the total household resources of the senior citizen, the senior citizen may claim a credit based upon the amount of total household resources attributable to rent as provided by this section.

(10) A senior citizen whose gross rent paid for the tax year is more than the percentage of total household resources specified in subsection (9) for the respective tax year may claim a credit for the amount of rent paid that constitutes more than the percentage of the total household resources of the senior citizen specified in subsection (9) and that was not provided to the senior citizen by the credit computed pursuant to this section and section 522 and adjusted pursuant to subsection (7) or (8).

(11) The department may promulgate rules to implement subsections (9) to (15) and may prescribe a table to allow a claimant to determine the credit provided under this section and section 522 in the instruction booklet that accompanies the respective income tax or property tax credit forms used by claimants.

(12) A senior citizen may claim the credit under subsections (9) to (15) on the same form as the property tax credit permitted by subsection (2). The department shall adjust the forms accordingly.

(13) A senior citizen who moves to a different rented or leased homestead shall determine, for 2 tax years after the move, both his or her qualification to claim a credit under subsections (9) to (15) and the amount of a credit under subsections (9) to (15) on the basis of the annualized final monthly rental payment at his or her previous homestead, if this annualized rental is less than the senior citizen's actual annual rental payments.

(14) For a return of less than 12 months, the claim for a credit under subsections (9) to (15) shall be reduced proportionately.

(15) For tax years before the 2018 tax year, the total credit allowed by this section and section 522 shall not exceed \$1,200.00 per year. Except as otherwise provided under this subsection, for the 2018 tax year and each tax year after 2018, the total credit allowed by this section and section 522 shall not exceed \$1,500.00 per year. Beginning with the 2021 tax year and each tax year after 2021, the maximum amount of the credit allowed under this section and section 522 for the immediately preceding tax year shall be adjusted by the percentage increase in the United States consumer price index for the immediately preceding calendar year. The department shall round the amount to the nearest \$100.00 increment.

(16) As used in this section, "United States consumer price index" means the United States consumer price index for all urban consumers as defined and reported by the United States Department of Labor, Bureau of Labor Statistics.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 1979, Act 132, Eff. Mar. 27, 1980;—Am. 1980, Act 352, Imd. Eff. Dec. 29, 1980;—Am. 1982, Act 269, Imd. Eff. Oct. 5, 1982;—Am. 1982, Act 515, Imd. Eff. Dec. 31, 1982;—Am. 1984, Act 285, Imd. Eff. Dec. 20, 1984;—Am. 1985, Act 187, Imd. Eff. Dec. 20, 1985;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1988, Act 516, Imd. Eff. Dec. 30, 1988;—Am. 1990, Act 283, Imd. Eff. Dec. 14, 1990;—Am. 1992, Act 293, Imd. Eff. Dec. 18, 1992;—Am. 1993, Act 328, Eff. Apr. 1, 1994;—Am. 1995, Act 245, Imd. Eff. Dec. 27, 1995;—Am. 2011, Act 38, Rendered Tuesday, January 24, 2017

Eff. Jan. 1, 2012;—Am. 2011, Act 273, Eff. Jan. 1, 2012;—Am. 2015, Act 179, Eff. Mar. 18, 2016.

**Constitutionality:** The provision in the Income Tax Act for an income-graduated reduction of local property tax credits does not conflict with the constitutional prohibition against a graduated income tax because the property tax credit is payable to the property taxpayer irrespective of state income tax liability. *Butcher v Department of Treasury*, 425 Mich 262; 389 NW2d 412 (1986).

**Compiler's note:** Act 253 of 1980, purporting to amend MCL 206.30, 206.512, 206.520, and 206.522 and to add a MCL 206.261 could not take effect until Senate Joint Resolution X became effective as part of the constitution. Senate Joint Resolution X was submitted to, and disapproved by, the people at the general election held on November 4, 1980.

Section 2 of Act 515 of 1982 provides: "(1) Section 255 of this amendatory act shall be effective for the 1979 tax year and each tax year thereafter.

(2) Section 301 of this amendatory act shall take effect for tax years beginning on or after January 1, 1983.

(3) Section 520 of this amendatory act shall take effect for tax years beginning on or after January 1, 1981."

Section 2 of Act 187 of 1985 provides: "It is the intent of the legislature that this amendatory act shall not serve to affect a credit claimed under section 520 before the effective date of this amendatory act."

Act 486 of 1988, purporting to amend MCL 206.520 and 206.522, could not take effect "unless Senate Joint Resolution K of the 84th Legislature becomes a part of the constitution as provided in section 1 of article XII of the state constitution of 1963." Senate Joint Resolution K was submitted to, and disapproved by, the people at the general election held on November 8, 1988.

Act 166 of 1989, purporting to amend MCL 206.520 and 206.522 and to add a MCL 206.252, could not take effect "unless amendment 2 of House Joint Resolution I of the 85th Legislature becomes a part of the constitution as provided in section 1 of article XII of the state constitution of 1963." House Joint Resolution I was submitted to, and disapproved by, the people at the special election held on November 7, 1989.

**206.522 Determination of amount of claim; election of classification in which to make claims; single claimant per household entitled to credit; "totally and permanently disabled" defined; computation of credit by senior citizen; reduction of claim; tables; maximum credit; total credit allowable under part and part 361 of natural resources and environmental protection act.**

Sec. 522. (1) The amount of a claim made pursuant to this chapter shall be determined as follows:

(a) A claimant who is not a senior citizen is entitled to a credit against the state income tax liability under this part equal to 60% of the amount by which the property taxes on the homestead, or the credit for rental of the homestead for the tax year, exceeds 3.5% of the claimant's total household resources for tax years before the 2018 tax year or 3.2% of the claimant's total household resources for the 2018 tax year and each tax year after 2018.

(b) A claimant who is a senior citizen is entitled to a credit against the state income tax liability under this part equal to the following:

(i) For a claimant with total household resources of \$21,000.00 or less, an amount as determined in accordance with subdivision (c).

(ii) For a claimant with total household resources of more than \$21,000.00 and less than or equal to \$22,000.00, an amount equal to 96% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources for tax years before the 2018 tax year or 3.2% of total household resources for the 2018 tax year and each tax year after 2018.

(iii) For a claimant with total household resources of more than \$22,000.00 and less than or equal to \$23,000.00, an amount equal to 92% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources for tax years before the 2018 tax year or 3.2% of total household resources for the 2018 tax year and each tax year after 2018.

(iv) For a claimant with total household resources of more than \$23,000.00 and less than or equal to \$24,000.00, an amount equal to 88% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources for tax years before the 2018 tax year or 3.2% of total household resources for the 2018 tax year and each tax year after 2018.

(v) For a claimant with total household resources of more than \$24,000.00 and less than or equal to \$25,000.00, an amount equal to 84% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources for tax years before the 2018 tax year or 3.2% of total household resources for the 2018 tax year and each tax year after 2018.

(vi) For a claimant with total household resources of more than \$25,000.00 and less than or equal to \$26,000.00, an amount equal to 80% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources for tax years before the 2018 tax year or 3.2% of total household resources for the 2018 tax year and each tax year after 2018.

(vii) For a claimant with total household resources of more than \$26,000.00 and less than or equal to \$27,000.00, an amount equal to 76% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources for tax years before the 2018 tax year or 3.2% of total household resources for the 2018 tax year and each tax year after 2018.

(viii) For a claimant with total household resources of more than \$27,000.00 and less than or equal to

\$28,000.00, an amount equal to 72% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources for tax years before the 2018 tax year or 3.2% of total household resources for the 2018 tax year and each tax year after 2018.

(ix) For a claimant with total household resources of more than \$28,000.00 and less than or equal to \$29,000.00, an amount equal to 68% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources for tax years before the 2018 tax year or 3.2% of total household resources for the 2018 tax year and each tax year after 2018.

(x) For a claimant with total household resources of more than \$29,000.00 and less than or equal to \$30,000.00, an amount equal to 64% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources for tax years before the 2018 tax year or 3.2% of total household resources for the 2018 tax year and each tax year after 2018.

(xi) For a claimant with total household resources of more than \$30,000.00, an amount equal to 60% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources for tax years before the 2018 tax year or 3.2% of total household resources for the 2018 tax year and each tax year after 2018.

(c) A claimant who is a senior citizen with total household resources of \$21,000.00 or less or a paraplegic, hemiplegic, or quadriplegic and for tax years that begin after December 31, 1999, a claimant who is totally and permanently disabled, deaf, or, for tax years that begin after December 31, 2012, blind is entitled to a credit against the state income tax liability for the amount by which the property taxes on the homestead, the credit for rental of the homestead, or a service charge in lieu of ad valorem taxes as provided by section 15a of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1415a, for the tax year exceeds the percentage of the claimant's total household resources for that tax year computed as follows:

Total household resources	Percentage
Not over \$3,000.00	.0%
Over \$3,000.00 but not over \$4,000.00	1.0%
Over \$4,000.00 but not over \$5,000.00	2.0%
Over \$5,000.00 but not over \$6,000.00	3.0%
Over \$6,000.00 for tax years before the 2018 tax year	3.5%
Over \$6,000.00 for tax years after the 2017 tax year	3.2%

(d) A claimant who is an eligible serviceperson, eligible veteran, or eligible widow or widower is entitled to a credit against the state income tax liability for a percentage of the property taxes on the homestead for the tax year not in excess of 100% determined as follows:

(i) Divide the taxable value allowance specified in section 506 by the taxable value of the homestead or, if the eligible serviceperson, eligible veteran, or eligible widow or widower leases or rents a homestead, divide 20% of the total annual rent paid for tax years before the 2018 tax year or 23% of the total annual rent paid for tax years after the 2017 tax year on the property by the property tax rate on the property.

(ii) Multiply the property taxes on the homestead by the percentage computed in subparagraph (i).

(e) A claimant who is blind is entitled to a credit against the state income tax liability for a percentage of the property taxes on the homestead for the tax year determined as follows:

(i) If the taxable value of the homestead is \$3,500.00 or less, 100% of the property taxes.

(ii) If the taxable value of the homestead is more than \$3,500.00, the percentage that \$3,500.00 bears to the taxable value of the homestead.

(2) A person who is qualified to make a claim under more than 1 classification shall elect the classification under which the claim is made.

(3) Only 1 claimant per household for a tax year is entitled to the credit, unless both the husband and wife filing a joint return are blind, then each shall be considered a claimant.

(4) As used in this section, "totally and permanently disabled" means disability as defined in section 216 of title II of the social security act, 42 USC 416.

(5) A senior citizen who has total household resources for the tax year of \$6,000.00 or less and who for 1973 received a senior citizen homestead exemption under former section 7c of the general property tax act, 1893 PA 206, may compute the credit against the state income tax liability for a percentage of the property taxes on the homestead for the tax year determined as follows:

(a) If the taxable value of the homestead is \$2,500.00 or less, 100% of the property taxes.

(b) If the taxable value of the homestead is more than \$2,500.00, the percentage that \$2,500.00 bears to the taxable value of the homestead.

(6) For a return of less than 12 months, the claim shall be reduced proportionately.



(7) The department may prescribe tables that may be used to determine the amount of the claim.

(8) The total credit allowed in this section for each year shall not exceed the amount determined under section 520.

(9) The total credit allowable under this part and part 361 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36101 to 324.36117, shall not exceed the total property tax due and payable by the claimant in that year. The amount by which the credit exceeds the property tax due and payable shall be deducted from the credit claimed under part 361 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36101 to 324.36117.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1974, Act 12, Imd. Eff. Feb. 15, 1974;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 1975, Act 320, Imd. Eff. Jan. 2, 1976;—Am. 1978, Act 321, Imd. Eff. July 10, 1978;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1993, Act 328, Eff. Apr. 1, 1994;—Am. 1996, Act 55, Imd. Eff. Feb. 26, 1996;—Am. 1996, Act 484, Eff. Jan. 1, 1996;—Am. 2000, Act 41, Imd. Eff. Mar. 27, 2000;—Am. 2011, Act 38, Eff. Jan. 1, 2012;—Am. 2011, Act 180, Eff. Jan. 1, 2012;—Am. 2013, Act 206, Imd. Eff. Dec. 23, 2013;—Am. 2015, Act 179, Eff. Mar 18, 2016.

**Compiler's note:** Act 253 of 1980, purporting to amend MCL 206.30, 206.512, 206.520, and 206.522 and to add a MCL 206.261 could not take effect until Senate Joint Resolution X became effective as part of the constitution. Senate Joint Resolution X was submitted to, and disapproved by, the people at the general election held on November 4, 1980.

Act 486 of 1988, purporting to amend MCL 206.520 and 206.522, could not take effect “unless Senate Joint Resolution K of the 84th Legislature becomes a part of the constitution as provided in section 1 of article XII of the state constitution of 1963.” Senate Joint Resolution K was submitted to, and disapproved by, the people at the general election held on November 8, 1988.

Act 166 of 1989, purporting to amend MCL 206.520 and 206.522 and to add a MCL 206.252, could not take effect “unless amendment 2 of House Joint Resolution I of the 85th Legislature becomes a part of the constitution as provided in section 1 of article XII of the state constitution of 1963.” House Joint Resolution I was submitted to, and disapproved by, the people at the special election held on November 7, 1989.

Subsection (1) of Section 3 of Act 484 provides:

“Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996.”

**Compiler's note:** Enacting section 1 of Act 469 of 2014 provides:

“Enacting section 1. This amendatory act does not take effect unless House Joint Resolution UU of the 97th Legislature becomes a part of the state constitution of 1963 as provided in section 1 of article XII of the state constitution of 1963.”

House Joint Resolution UU was presented to the electors as Proposal 15-1 at the May 5, 2015 special election. The proposal to amend the constitution was not approved by the voters and Act 469 of 2014 does not go into effect.

## **206.523 Repealed. 1980, Act 169, Eff. Sept. 17, 1980.**

**Compiler's note:** The repealed section pertained to credit for sales tax paid on food and prescription drugs.

## **206.524 Credit adjustment; sale or transfer of homestead.**

Sec. 524. (1) If the amount of the property taxes used as a basis for the credit computation differs from the property tax liability incurred and paid by the taxpayer for the tax year, the credit for the ensuing year shall be adjusted by the amount of the difference.

(2) If homestead property subject to ad valorem taxes is sold or transferred during the tax year, the respective amounts of credit shall be based on the ratio of days that the property was the claimant's homestead to the total number of days in the tax year.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987.

## **206.525 Repealed. 1980, Act 169, Eff. Sept. 17, 1980.**

**Compiler's note:** The repealed section pertained to advance payment of expected property tax credit.

## **206.526 Right to file claim; payment of claim upon death of claimant; escheat.**

Sec. 526. The right to file a claim is personal to the claimant. The right may be exercised on behalf of a claimant by an agent, guardian, attorney-in-fact, executor or administrator, or other persons charged with the care of the person or property of a claimant. When a claimant dies before he could have filed or after having filed a timely claim, the amount thereof may be paid to another member of the household or to the mortgagor of the state or federally aided housing, which is a multipurpose or multidwelling building, who has reduced the rent on the claimant's homestead because of the tax credit and payment provided in this chapter as determined by the department. If the claimant was the only member of his household and was not renting his homestead in a multipurpose or multidwelling building that is state or federally aided housing, the claim shall be paid to his executor or administrator, but if neither is appointed within 2 years after the filing of the claim, the amount of the claim shall escheat to the state.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

## **206.527 Repealed. 1990, Act 283, Imd. Eff. Dec. 14, 1990.**



**Compiler's note:** The repealed section pertained to credit for heating fuel costs for homestead.

**206.527a Credit for heating fuel costs for homestead; home weatherization assistance; study; rules; direct vendor payments by department of human services; federal appropriation; methods of improving processing of claims; definitions.**

Sec. 527a. (1) Subject to subsections (18) and (19), a claimant may claim a credit for heating fuel costs for the claimant's homestead in this state. An adult foster care home, nursing home, home for the aged, or substance abuse center is not a homestead for purposes of this section. The credit shall be determined in the following manner:

(a) Subject to subsections (18) and (19), the following table shall be used for the computation of a credit as computed under subdivision (c):

Exemptions	0 or 1	2	3	4	5	6 or more
Credit	\$272	\$326	\$379	\$450	\$525	\$601 + \$76 for each exemption over 6

(b) The amounts in the table in subdivision (a) shall be adjusted each year as necessary by the department so that a claimant with total household resources of less than 110% of the federal poverty income standards as defined and determined annually by the United States office of management and budget is not denied a credit.

(c) A claimant shall receive the greater of the credit amount as determined in subparagraph (i) or (ii):

(i) Subtract 3.5% of the claimant's total household resources from the amount specified in subdivision (a) that corresponds with the number of exemptions claimed in the return filed under this part, except that the number of exemptions for purposes of this subdivision shall not exceed the actual number of persons living in the household plus the additional personal exemptions allowed under section 30, and any dependency exemptions for a person or persons living in the household under a custodial arrangement, even if the exemptions may not be claimed for other income tax purposes. For a claimant whose heating costs are included in his or her rent, multiply the result of the preceding calculation by 50%.

(ii) Subject to subsection (2), for a claimant whose total household resources do not exceed the maximum specified in the following table, as adjusted, that corresponds with the number of exemptions claimed in the return filed under this part, subtract 11% of claimant's total household resources from the total cost incurred by a claimant for heating fuel from a heating fuel provider during the 12 consecutive monthly billing periods ending in October of the tax year, and multiply the resulting amount by 70%:

Exemptions	0 or 1	2	3	4	5	For each exemption over 5, add \$2,441.00 to the maximum total household resources
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Maximum

Total

Household

Resources \$7,060 \$9,501 \$11,943 \$14,382 \$16,824

(d) The maximum cost incurred by a claimant for heating fuel during a tax year shall be adjusted by multiplying the maximum cost for the immediately preceding tax year by the percentage by which the average all urban Detroit consumer price index for fuels and other utilities for the 12 months ending August 31 of the tax year for which the credit is claimed exceeds that index's average for the 12 months ending on August 31 of the previous tax year, but not more than 10%. That product shall be added to the maximum cost of the immediately preceding tax year and then rounded to the nearest whole dollar. That dollar amount is the new maximum cost for the current tax year. If the claimant received any credits to his or her heating bill during the tax year, as provided for in subsection (6), the credits shall be treated as costs incurred by the claimant.

(e) The maximum total household resources specified in subdivision (c)(ii) shall be adjusted by multiplying the respective maximum total household resources for the immediately preceding tax year by the percentage by which the average all urban Detroit consumer price index for all items for the 12 months ending August 31 of the tax year for which the credit is claimed exceeds that index's average for the 12 months ending on August 31 of the immediately preceding tax year, but not more than 10%. That product shall be added to the immediately preceding tax year's respective maximum total household resources and then rounded to the nearest whole dollar. That dollar amount is the new maximum level for total household

resources for the then current tax year.

(2) An enrolled heating fuel provider shall notify each of its customers, not later than December 15 of each year, of the availability, upon request, of the information necessary for determining the credit under this section. For a claimant for whom, at the time of filing, the department of human services is making direct vendor payments to an enrolled heating fuel provider, the enrolled heating fuel provider that accepts the direct payments shall provide the information necessary to determine the credit before February 1 of each year. If an enrolled heating fuel provider refuses or fails to provide to a customer the information required to determine the credit, or if the claimant is not a customer of an enrolled heating fuel provider, a claimant may determine the credit provided in subsection (1)(c)(ii) based on his or her own records.

(3) A credit claimed on a return that covers a period of less than 12 months shall be calculated based on subsection (1)(c)(i) and shall be reduced proportionately.

(4) The allowable amount of the credit under this section shall be remitted to the claimant, other than a claimant whose heating costs are included in his or her rent, in the form of an energy draft that states the name of the claimant and is issued by the department. For a claimant for whom, at the time of filing, the department of human services has identified the enrolled heating fuel provider or is making direct vendor payments to an enrolled heating fuel provider, the department shall send the energy draft directly to the claimant's enrolled heating fuel provider, as identified by the claimant. If the department establishes a program or pilot program for the direct payment of energy drafts to enrolled heating fuel providers, enrolled heating fuel providers may submit to the department, in a manner prescribed by the department, the names of their customers who are claimants. If a claimant whose name has been submitted meets the standards established by the department, the department shall send that claimant's energy draft directly to the claimant's enrolled heating fuel provider. If the enrolled heating fuel provider submits names of claimants who are not its customers and the energy drafts of any of those claimants are sent to the enrolled heating fuel provider, the enrolled heating fuel provider shall return the energy drafts or pay the value of the energy drafts to the department plus interest on the amount of the energy drafts at the rate calculated under section 23 of 1941 PA 122, MCL 205.23, for deficiencies in tax payments. Except as provided in subsection (5), after July 31, a refundable credit for a prior tax year may be paid in the form of a negotiable warrant. The energy draft shall be negotiable only through the claimant's enrolled heating fuel provider upon remittance by the claimant.

(5) If a claimant received home heating assistance from the department of human services, a governmental agency, or a nonprofit organization 12 months prior to remitting an energy draft to the claimant's enrolled heating fuel provider and the amount of the energy draft is greater than the total of outstanding bills incurred by the claimant with the enrolled heating fuel provider as of the date that the energy draft was remitted to the enrolled heating fuel provider, the enrolled heating fuel provider shall first apply the full amount of the energy draft to the claimant's outstanding bills and then apply any remaining amount to subsequent bills of the claimant until the full amount of the energy draft is used up or the expiration of 9 months after the date on which the energy draft was first applied to cover the claimant's outstanding bills. If there is any remaining energy draft amount at the end of the 9-month period, or if before the end of the 9-month period the claimant is no longer a customer of the enrolled heating fuel provider, the enrolled heating fuel provider shall remit the remaining amount to the claimant in the form of a fully negotiable check within 14 days after the end of the 9-month period or 14 days after the termination of services, whichever occurs sooner. If the claimant did not receive home heating assistance from the department of human services, a governmental agency, or a nonprofit organization 12 months prior to remitting an energy draft, the claimant, by checking the appropriate box to be included on the energy draft or application for participation with an enrolled heating fuel provider, may request from the enrolled heating fuel provider a payment equal to the amount of the energy draft less the amount of the outstanding bills. The enrolled heating fuel provider shall issue the payment within 14 days after the claimant's request. For purposes of this subsection, home heating assistance does not include the credit allowed under this section.

(6) If a claimant whose energy draft exceeds his or her outstanding bills does not request a payment from an enrolled heating fuel provider under subsection (5), an energy draft remitted to an enrolled heating fuel provider shall be applied upon receipt to the claimant's designated account. The energy draft may be used to cover outstanding bills that the claimant has incurred with the enrolled heating fuel provider and to cover subsequent heating costs until the full amount of the energy draft is used or until 1 year after the date on which the energy draft is first applied to the claimant's designated account. If a credit amount remains from this energy draft after the 1-year period, or if prior to the end of the 1-year period a claimant is no longer a customer of the enrolled heating fuel provider, the heating fuel provider shall remit the remaining unused portion to the claimant in the form of a fully negotiable check within 14 days after the end of the 1-year period or within 14 days after termination of service, whichever is sooner.

(7) A claimant who is no longer a resident of this state, who is not a customer of an enrolled heating fuel

provider, or whose heating fuel provider refuses to accept an energy draft shall return the energy draft to the department and request the issuance of a negotiable warrant. A claimant may return an energy draft to the department and request issuance of a negotiable warrant if the energy draft is impractical because the claimant has already purchased his or her energy supply for the year and does not have an outstanding obligation to an enrolled heating fuel provider. The department may honor that request if it agrees that the use of the energy draft is impractical. The department shall issue the warrant within 14 days after receiving the energy draft from the claimant.

(8) The enrolled heating fuel provider shall bill the department for credit amounts that have been applied to claimant accounts pursuant to subsection (6), and the department shall pay the bills within 14 days of receipt. The billing shall be accompanied by the energy drafts for which reimbursement is claimed.

(9) A claimant whose heating fuel is provided by a utility regulated by the Michigan public service commission is protected against the discontinuance of his or her heating fuel service from the date of filing a claim for the credit under this section through the date of issuance of an energy draft and during a period beginning December 1 of the tax year for which the credit is claimed and ending March 31 of the following year if the claimant participates in the winter protection program set forth in R 460.148 of the Michigan administrative code or if the utility accepts the claimant's energy draft. The acceptance of an energy draft by a utility is considered a request by the claimant for the winter protection program. The energy draft shall be coded by the department to denote claimants who are 65 years of age or older. If the claimant is a claimant whose heating cost is included in his or her rent payments, the amount of the claim not used as an offset against the state income tax, after examination and review, shall be approved for payment, without interest, to the claimant.

(10) If an enrolled heating fuel provider does not issue a payment or a negotiable check within 14 days or as otherwise provided in subsection (5) or (6), beginning on the fifteenth day or the fifteenth day after the expiration of the 9-month period under subsection (5), the amount due to the claimant is increased by adding interest computed on the basis of the rate of interest prescribed for delayed refunds of excess tax payments in section 30(3) of 1941 PA 122, MCL 205.30. The enrolled heating fuel provider shall pay the interest and shall not bill the interest to or be reimbursed for the interest by the department.

(11) Only the renter or lessee shall claim a credit on property that is rented or leased as a homestead. Only 1 credit may be claimed for a household. The credit under this section is in addition to other credits to which the claimant is entitled under this part. A person who is a full-time student at a school, community college, or college or university and who is claimed as a dependent by another person is not eligible for the credit provided by this section. A claimant who shares a homestead with other eligible claimants shall prorate the credit by the number of claimants sharing the homestead.

(12) A claimant who is eligible for the credit provided by this section shall be referred by the department to the appropriate state agency for determination of eligibility for home weatherization assistance and shall accept weatherization assistance if eligible and if assistance is available. A heating fuel provider that is required by the Michigan public service commission to participate in the residential conservation services home energy analysis program shall annually contact each claimant to whom it provides heating fuel, and whose usage exceeds 200,000 cubic feet of natural gas or 18,000 kilowatt hours of electricity annually, and shall offer to provide a home energy analysis at no cost to the claimant. A heating fuel provider that is not required to participate in the residential conservation services program shall not be required to conduct a home energy analysis for its customers. For all rental properties that are weatherized pursuant to this section, each agency that determines eligibility for weatherization assistance shall require that not less than 25% of the total cost of the weatherization services for that property shall be contributed by the property owner unless the property owner is also eligible for weatherization assistance or is a nonprofit organization, governmental agency, or municipal corporation.

(13) If an enrolled heating fuel provider is regulated by the Michigan public service commission, the Michigan public service commission may use an enforcement method authorized by law or rule to enforce the requirements prescribed by this section on the enrolled heating fuel provider. If an enrolled heating fuel provider is not regulated by the Michigan public service commission, the department of human services may use an enforcement method authorized by law or rule to enforce the requirements prescribed by this section on the enrolled heating fuel provider.

(14) The department shall mail a home heating credit return to every person who received assistance through the department of human services pursuant to the social welfare act, 1939 PA 280, MCL 400.1 to 400.119b, during the tax year.

(15) The department shall complete a study by August 1 of 1985, and of each subsequent year, of the actual heating costs of each claimant who received a credit from the department under this section for the immediately preceding tax year.

(16) The department may promulgate rules necessary to administer this section pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

(17) The department shall provide a simplified procedure for claiming the credit under this section for claimants for whom, at the time of filing, the department of human services is making direct vendor payments to an enrolled heating fuel provider.

(18) For the 2001 tax year and each tax year after the 2001 tax year, the credit under this section is allowed only if there has been a federal appropriation for the federal fiscal year beginning in the tax year of federal low income home energy assistance program block grant funds of any amount. If the amount of federal low income home energy assistance program block grant funds available for the home heating credit is less than the full home heating credit amount, each individual credit claimed under this section shall be reduced by multiplying the credit amount by a fraction, the numerator of which is the amount available for the home heating credit and the denominator of which is the full home heating credit amount. As used in this subsection, "amount available for the home heating credit" means the sum of the federal low income home energy assistance program block grant allotment for this state for the federal fiscal year beginning in the tax year and the amount as certified by the director of the department of human services carried forward from the immediately preceding fiscal year for the low income home energy assistance program block grant minus the sum of the amount certified by the director of the department of human services for administration of the low income home energy assistance program block grant, the amount certified by the director of the department of human services for crisis assistance programs, and the amount certified by the director of the department of human services for weatherization. For the 2014-2015 fiscal year and continuing through the 2016-2017 fiscal year, the amount used for weatherization each fiscal year shall be determined as provided under this subsection. If the total federal low income home energy assistance program block grant received for the current fiscal year is greater than or equal to 90% of the amount of block grant funds received in the immediately preceding fiscal year, then the amount of federal low income home energy assistance program block grant funds used for weatherization for that fiscal year shall be at least \$6,000,000.00 but not greater than 15% of the total federal low income home energy assistance program block grant funds received for that fiscal year. If the total federal low income home energy assistance program block grant received for the current fiscal year is less than 90% of the amount of block grant funds received in the immediately preceding fiscal year, then the amount of federal low income home energy assistance program block grant funds used for weatherization for that fiscal year shall be at least \$5,000,000.00 but not greater than 15% of the total federal low income home energy assistance program block grant funds received for that fiscal year. The amounts under this subsection that require certification by the director of the department of human services or by the state treasurer and the director of the department of technology, management, and budget shall be certified on or before December 30 of the tax year and each tax year thereafter. As used in this subsection, "full home heating credit amount" means the amount certified by the state treasurer and the director of the department of technology, management, and budget to be the estimated amount of the credits that would have been provided under this section for the tax year if no reduction as provided in this subsection were made for that tax year.

(19) For tax years after the 1994 tax year, a claimant who claims a credit under this section shall not report the credit amount on the claimant's income tax return filed under this part as an offset against the tax imposed by this part, but shall claim the credit on a separate form prescribed by the department. For tax years after the 1995 tax year, a credit claimed under this section shall not be allowed unless the claim for the credit is filed with the department on or before the September 30 immediately following the tax year for which the credit is claimed.

(20) The state treasurer shall notify all of the following each state fiscal year that the federal low income home energy assistance program block grant allotment for this state for that fiscal year is less than the full home heating credit amount:

(a) The chairpersons and vice-chairpersons of the senate and house of representatives appropriations committees.

(b) The senate and house of representatives committees on taxation and finance related issues.

(c) The senate and house of representatives committees on energy and technology related issues.

(21) Notwithstanding section 30a of 1941 PA 122, MCL 205.30a, the credit allowed under this section is exempt from interception, execution, levy, attachment, garnishment, or other legal process to collect a debt. No portion of the credit allowed or any rights existing under this section shall be applied as an offset to any liability of the claimant under section 30a of 1941 PA 122, MCL 205.30a, or any arrearage or other debt of the claimant.

(22) The department shall meet with interested parties including enrolled heating fuel providers and advocacy groups to identify and implement methods of improving the processing of claims for the credit allowed under this section and payments attributable to those credits.

(23) As used in this section:

(a) "Claimant whose heating costs are included in his or her rent" means a claimant whose rent includes the cost of heat at the time the claim for the credit under this section is filed.

(b) "Enrolled heating fuel provider" means a heating fuel provider that is enrolled with the department of human services as a heating fuel provider.

(c) "Heating fuel provider" means an individual or entity that provides a claimant with heating fuel or electricity for heating purposes.

**History:** Add. 1979, Act 126, Imd. Eff. Oct. 23, 1979;—Am. 1981, Act 152, Imd. Eff. Nov. 19, 1981;—Am. 1984, Act 36, Eff. Apr. 12, 1984;—Am. 1985, Act 158, Imd. Eff. Nov. 15, 1985;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1988, Act 516, Imd. Eff. Dec. 30, 1988;—Am. 1989, Act 75, Imd. Eff. June 20, 1989;—Am. 1991, Act 181, Imd. Eff. Dec. 26, 1991;—Am. 1995, Act 245, Imd. Eff. Dec. 27, 1995;—Am. 1996, Act 484, Eff. Jan. 1, 1996;—Am. 2001, Act 169, Imd. Eff. Nov. 27, 2001;—Am. 2004, Act 335, Imd. Eff. Sept. 23, 2004;—Am. 2011, Act 38, Eff. Jan. 1, 2012;—Am. 2014, Act 523, Imd. Eff. Jan. 14, 2015.

**Compiler's note:** Section 2 of Act 181 of 1991 provides: "This amendatory act shall be effective for the 1991 tax year and each tax year after 1991."

Subsection (1) of Section 3 of Act 484 provides:

"Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996."

Enacting section 1 of Act 335 of 2004 provides:

"Enacting section 1. This amendatory act is effective for tax years that begin after December 31, 2003."

### **206.528 Repealed. 1987, Act 254, Imd. Eff. Dec. 28, 1987.**

**Compiler's note:** The repealed section pertained to penalty for excessive or fraudulent claim.

### **206.530 Proof required; credit computation for homestead; unoccupied land used for agricultural or horticultural purposes; disallowance of claim; applying amount of claim against liability.**

Sec. 530. (1) The department may require reasonable proof from the claimant in support of rent paid, property taxes paid, total household resources, size and nature of the property claimed as a homestead, or any other information required for the administration of this chapter.

(2) If a homestead is occupied for less than a 12-month period, the credit computation shall be proportional to the period of occupancy. A claimant shall not occupy more than 1 homestead at 1 time. If more than 1 homestead is occupied during the tax year, the credit computation shall be proportional to the period of occupancy of each homestead, but not for a total period of more than 1 year.

(3) If unoccupied land is used for agricultural or horticultural purposes by the claimant, the credit shall be allowed only if the gross receipts of the agricultural or horticultural operations exceed the total household resources as defined in this part.

(4) A claim shall not be allowed if the department finds that the claimant received title to the homestead primarily for the purpose of receiving benefits under this chapter.

(5) The amount of a claim otherwise payable may be applied by the department against a liability outstanding on the books of the state against the claimant.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1975, Act 168, Imd. Eff. July 17, 1975;—Am. 1976, Act 379, Imd. Eff. Dec. 28, 1976;—Am. 1977, Act 1, Imd. Eff. Feb. 23, 1977;—Am. 1980, Act 517, Imd. Eff. Jan. 26, 1981;—Am. 1982, Act 480, Eff. Mar. 30, 1983;—Am. 2011, Act 38, Eff. Jan. 1, 2012.

### **206.531 Repealed. 1976, Act 379, Imd. Eff. Dec. 28, 1976.**

**Compiler's note:** The repealed section pertained to deferment of summer taxes by certain persons.

### **206.532 Forms for claiming credit; provisions of act applicable to chapter.**

Sec. 532. The department shall prescribe forms for claiming the credit, which forms shall be a component part of the state income tax return. All provisions of this part including, but not limited to, audit, review, determinations, appeals, hearings, notices, assessments, and administration shall apply to this chapter.

**History:** Add. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1975, Act 168, Imd. Eff. July 17, 1975;—Am. 2011, Act 38, Eff. Jan. 1, 2012.